

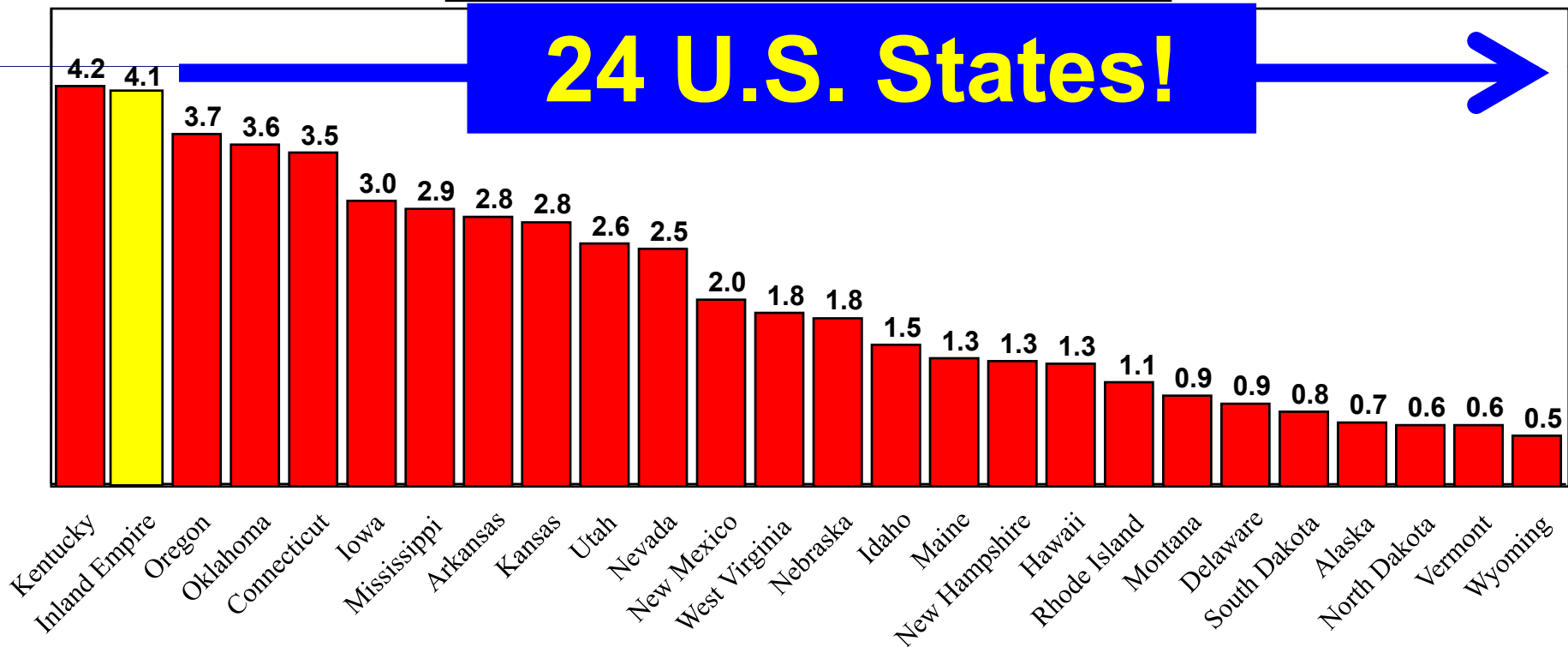
Inland Empire 2007 ...



John Husing, Ph.D.
Economics & Politics, Inc.

Huge Internal Population

Exhibit 6.-Total Population (millions)
Inland Empire As A State, January 2007

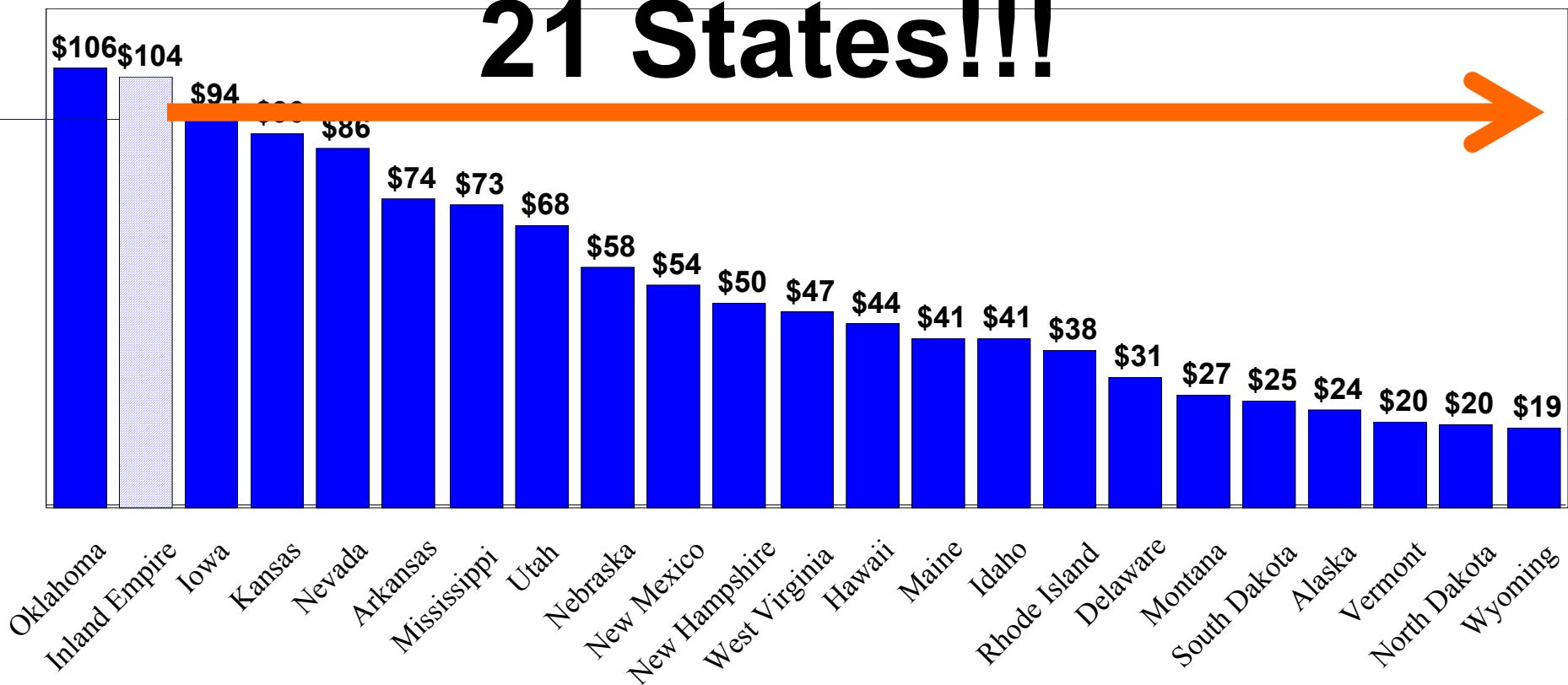


Note: Kentucky Ranked 26th
Source: U.S. Department of Commerce

Total Personal Income As State, 2005

Exhibit 7.-Total Personal Income (billions)
Inland Empire As A State, 2005

21 States!!!

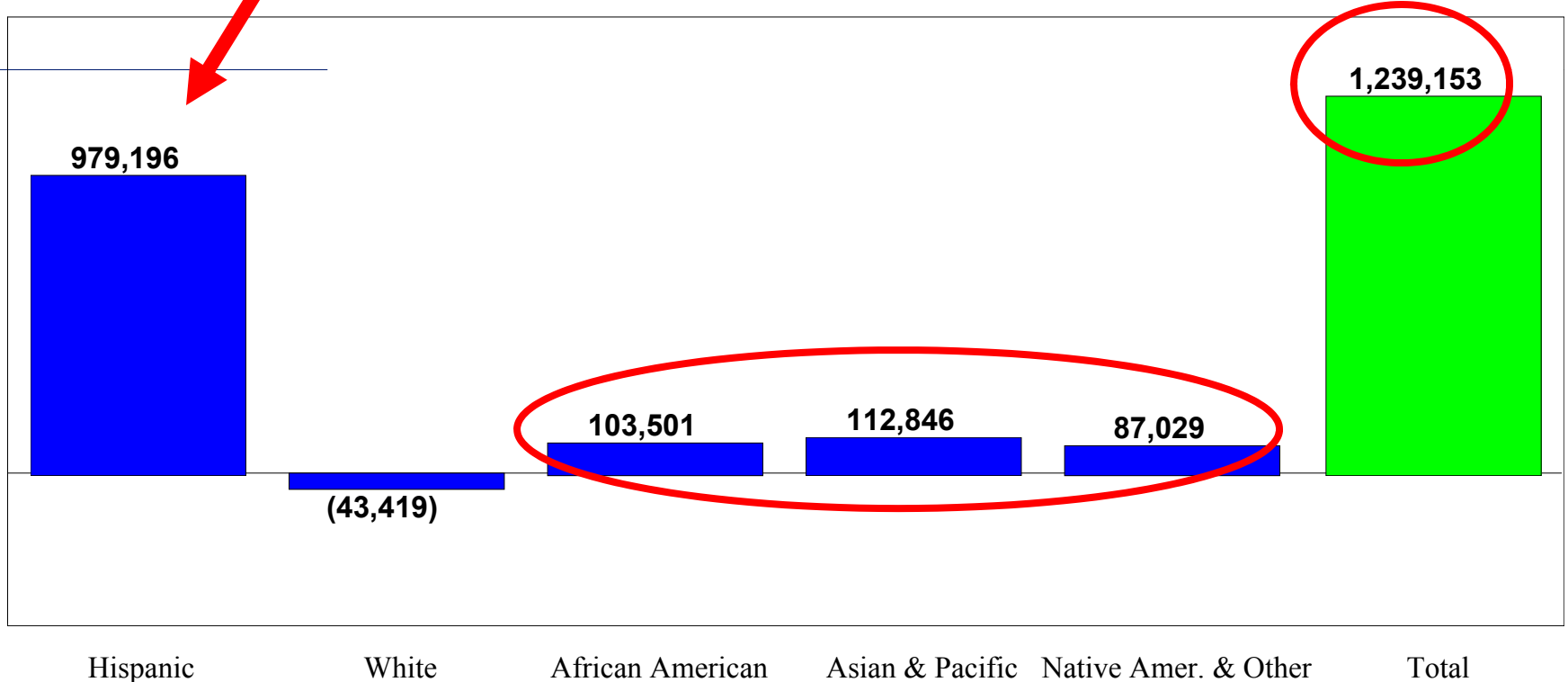


Note: Oklahoma ranked 29th

Source: U.S. Bureau of Economic Analysis

Change In Ethnicity: 79% Hispanic

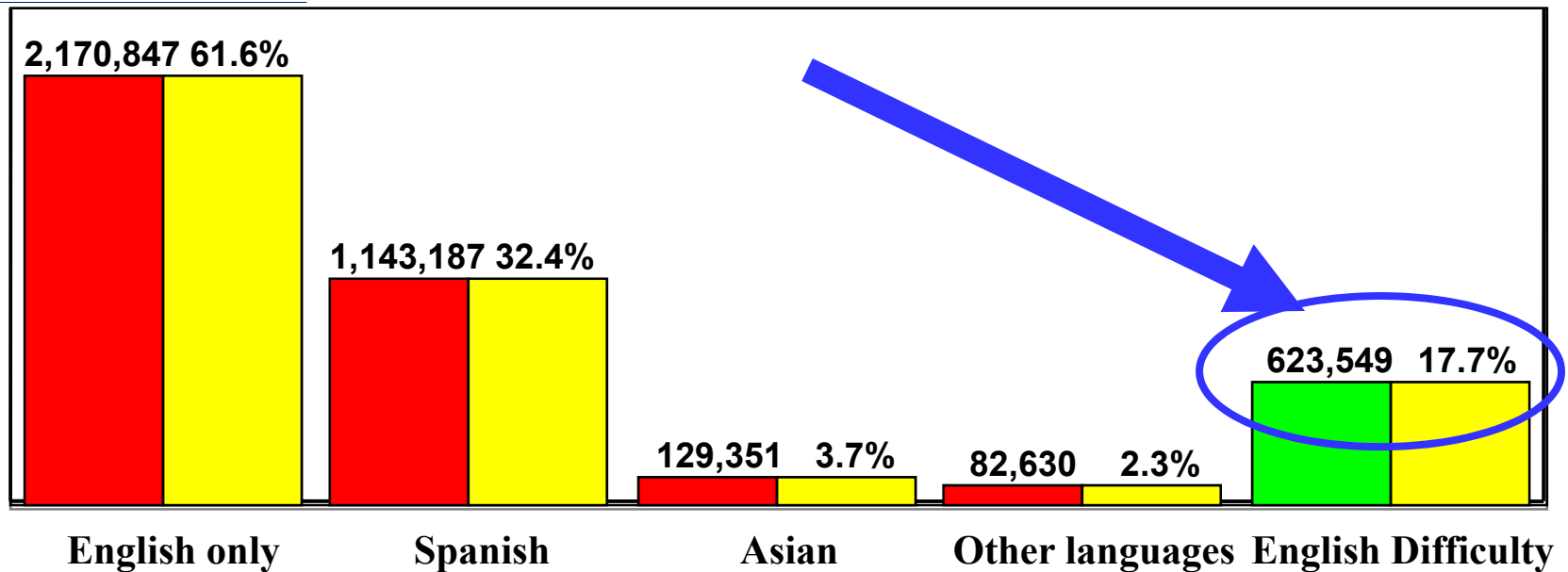
Population Change By Ethnic Group
Inland Empire, 1990-2005



Source: 1990 Census, 2003 American Community Survey

Language

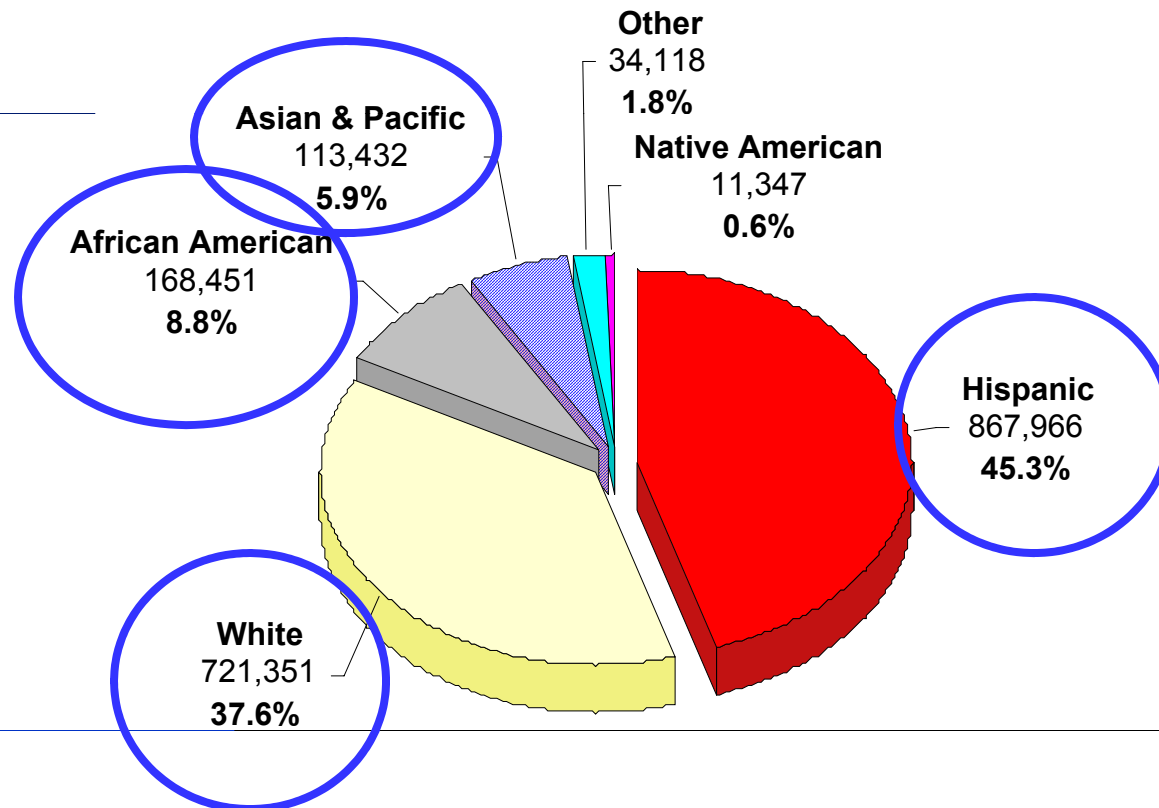
**Exhibit A.-Language Spoken At Home
Inland Empire, 2005**



Source: 2005 American Community Survey, Census Bureau

San Bernardino County's Ethnicity, 2005

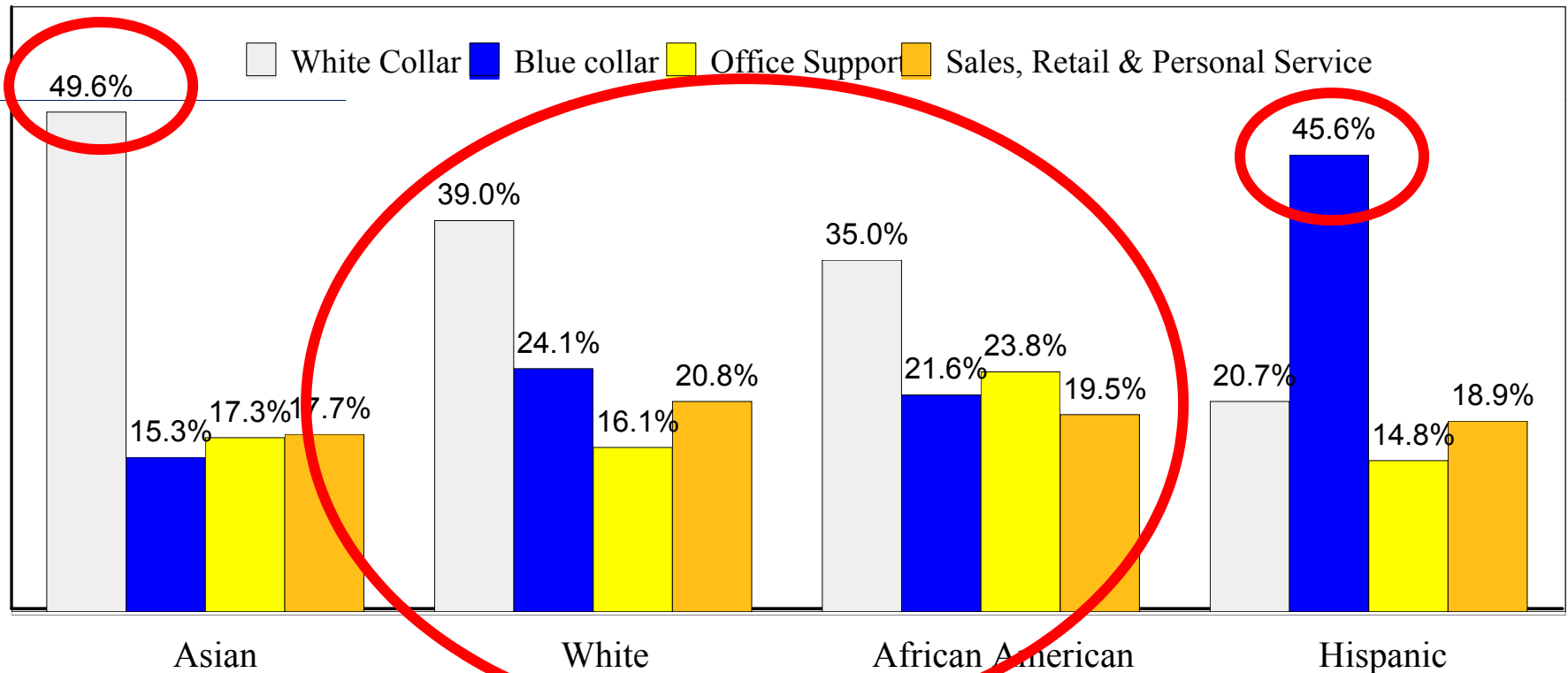
Exhibit 6.-Ethnic Distribution, San Bernardino County, 2005



Source: 2005 American Community Survey, Census Bureau

Types of Work

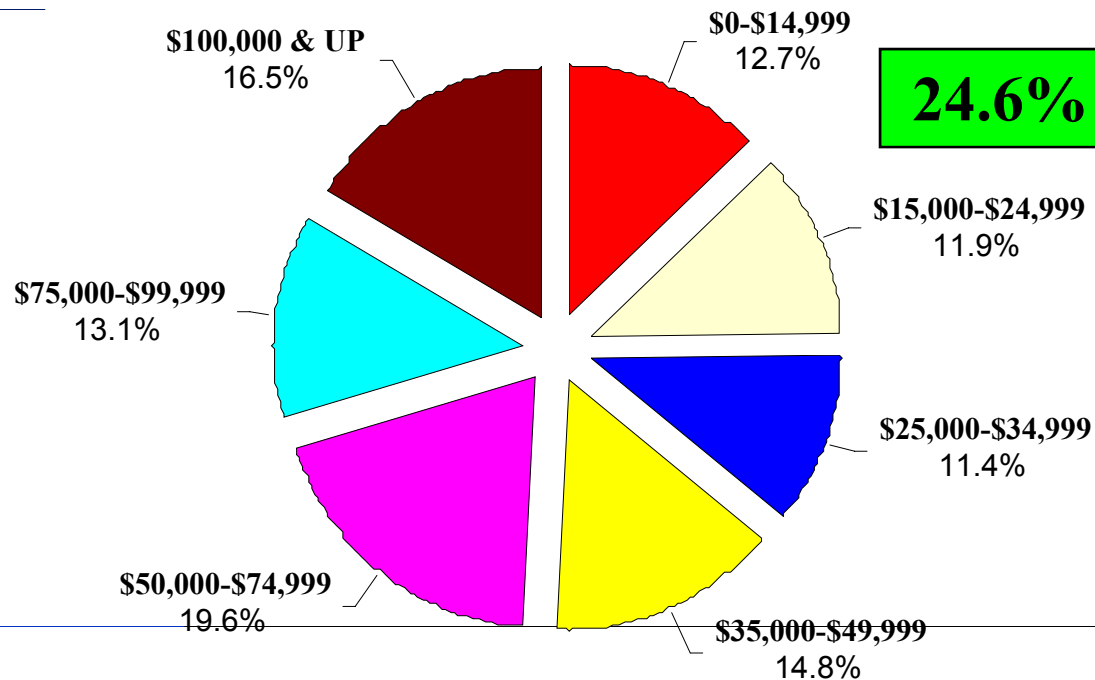
**Exhibit 3.-Types of Occupations
Inland Empire, 2004**



Source: Census Bureau American Community Survey

Income Distribution

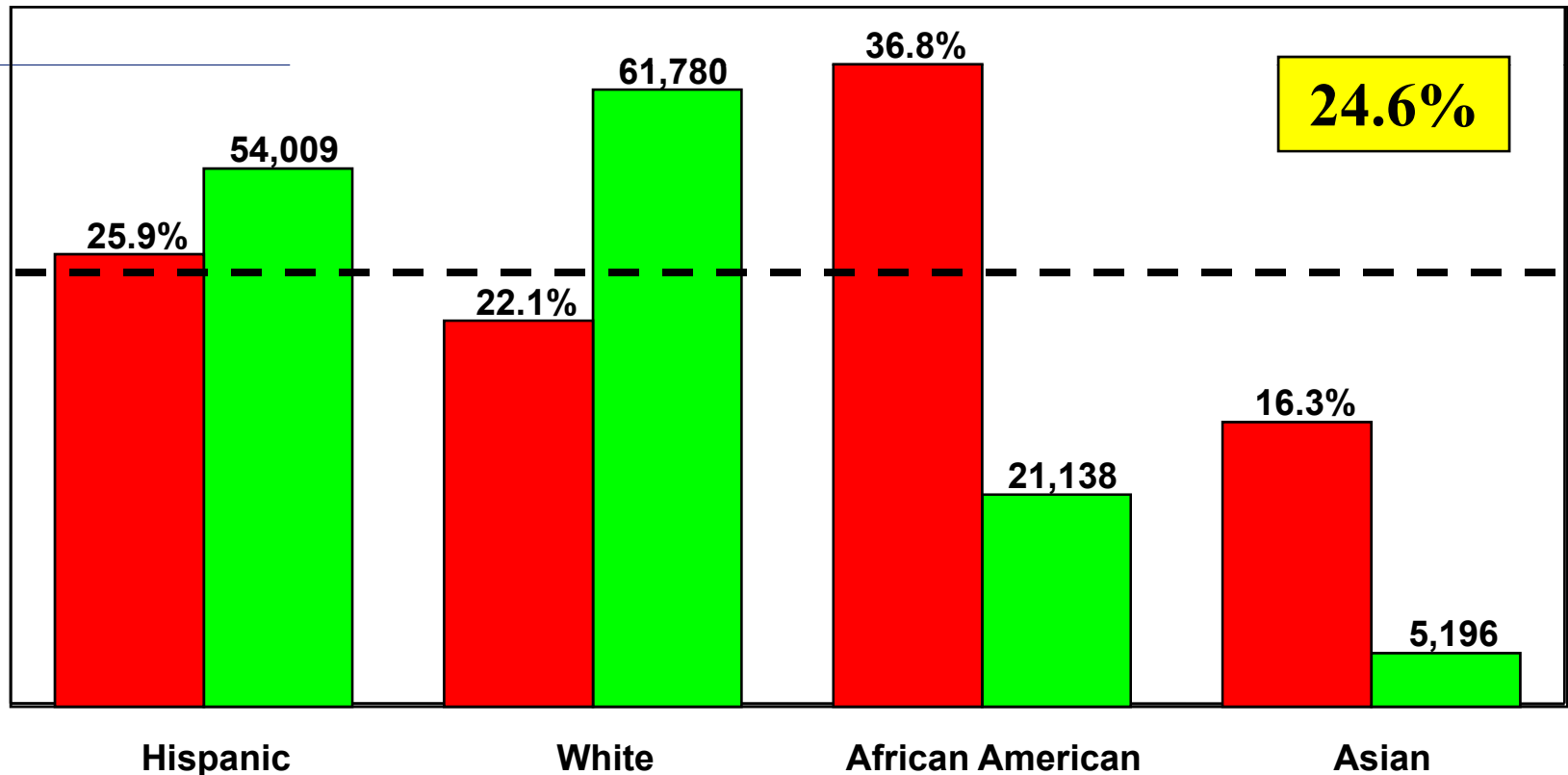
**Income Distribution
San Bernardino Co., 2005**



Source: 2005 American Community Survey, Census Bureau

Low Income Family, Shares

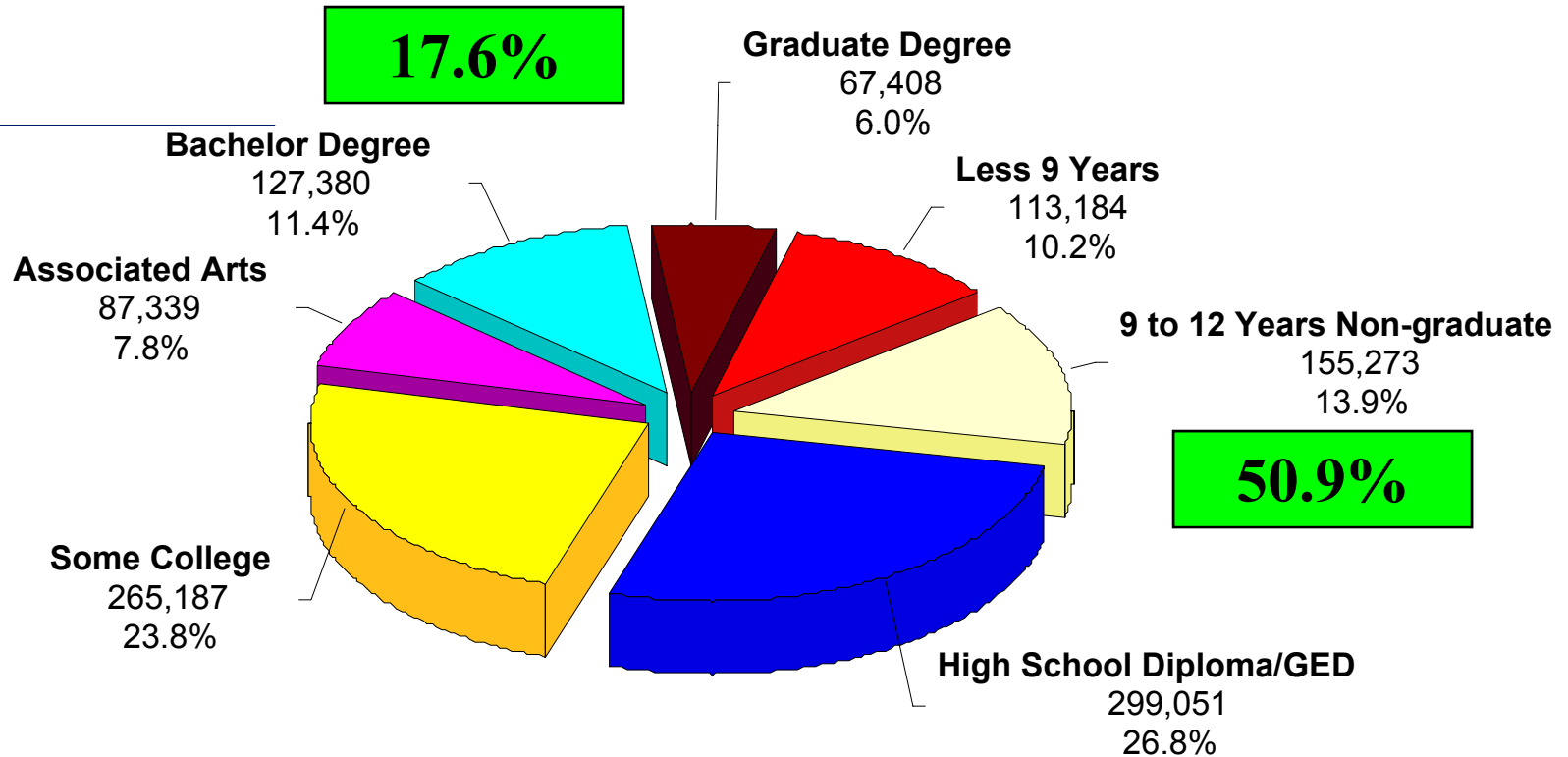
Share of Families Earning \$25,000 Or less, 2005
By Ethnic Group, San Bernardino County



Source: 2005 American Community Survey, Census Bureau, Economics & Politics, Inc.

Education

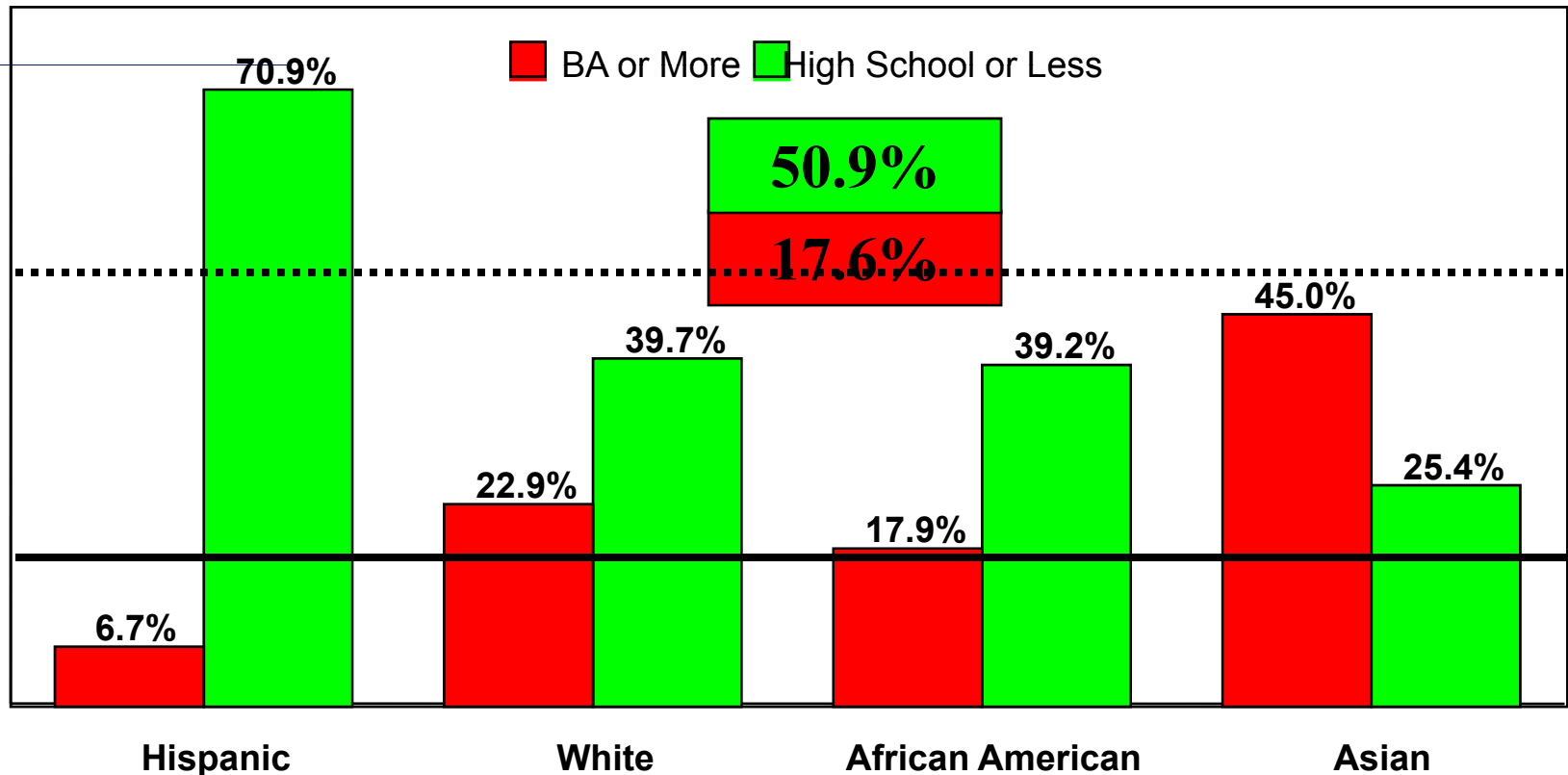
Educational Level, Adults 25 & Over San Bernardino County, 2005



Source: 2005 American Community Survey, Census Bureau

Education By Ethnic Group

BS or More vs. High School or Less By Ethnic Group, San Bernardino County



Source: 2005 American Community Survey, Census Bureau, Economics & Politics, Inc.

Demand Driven Workforce Education

- Welfare to Work (*TAD*) Field Workers Transferred To Economic Development
- Contact Major Employers All Day Long – Feed Data to Computer System
- Job Counselors At TAD & WIB Now Know What Jobs Available
- When Job Filled – Economic Development Alerted By System
- Difficulty – Adding Trainers To The System To Get Demand Driven Training
 - ROP
 - CTE
 - Adult School
 - Community College
 - Private Schools

On-Line to College

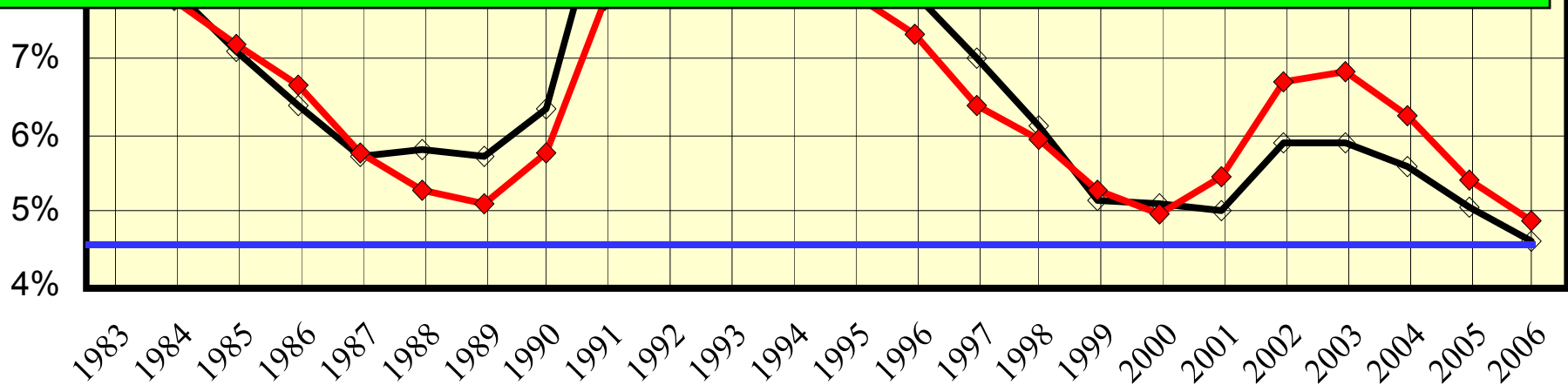
Community College Books & Tuition Free IF:

- Every 5th Grader
- Parents & Children Sign Commitment
- Parents Go To Annual Meeting At Community College
- Students Follow A Defined Course of Study
- Free Tutoring
- Free Networking & Counseling

Unemployment: Whose Left?

Exhibit 5.-Unemployment Rates, 1983-2006
Annual, Inland Empire & California

**A Job . . .
Now is the Time!**

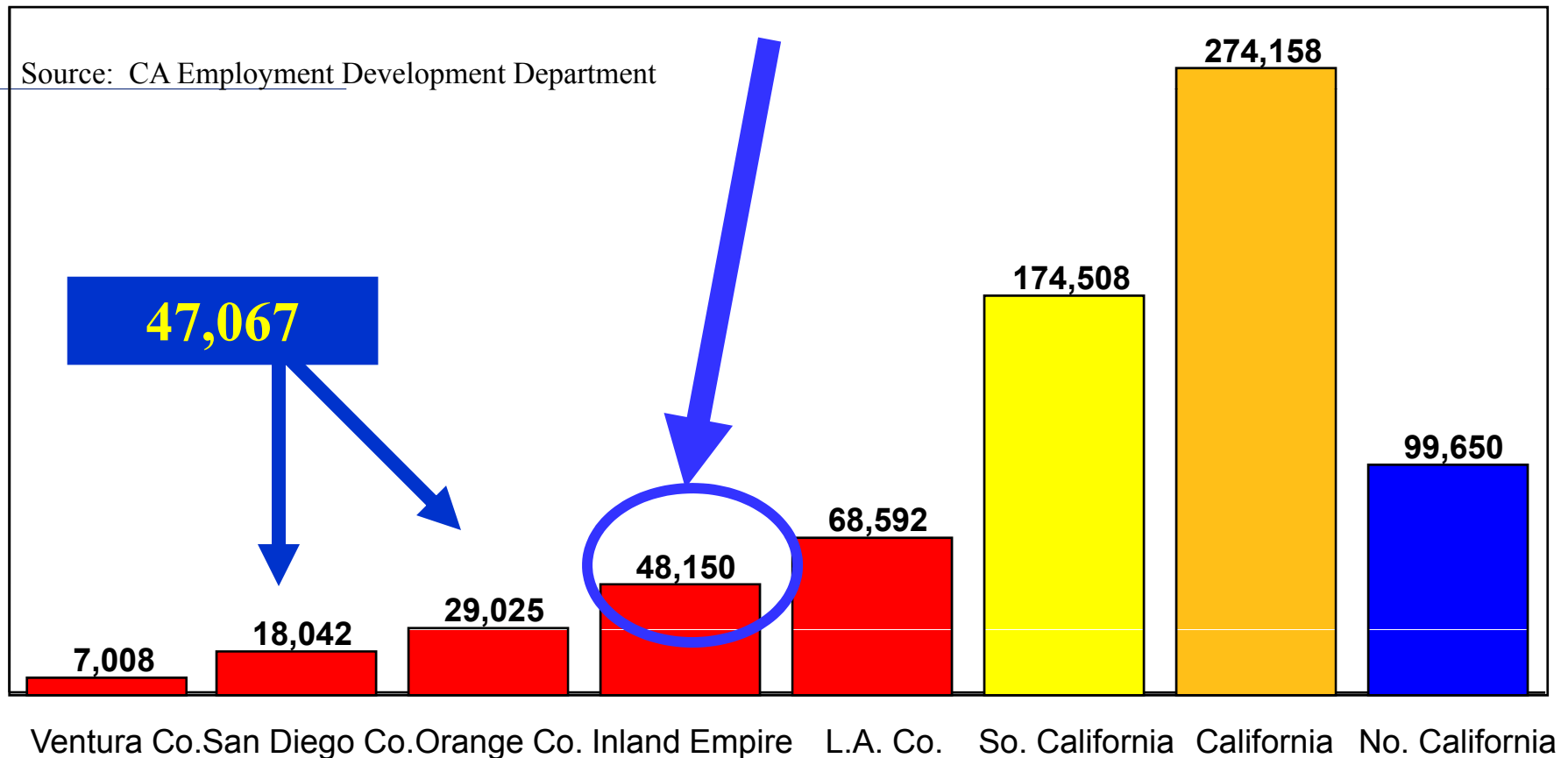


Source: CA Employment Development Department

Job Growth, 2006

Employment Change, California Markets Annual Average, 2005-2006

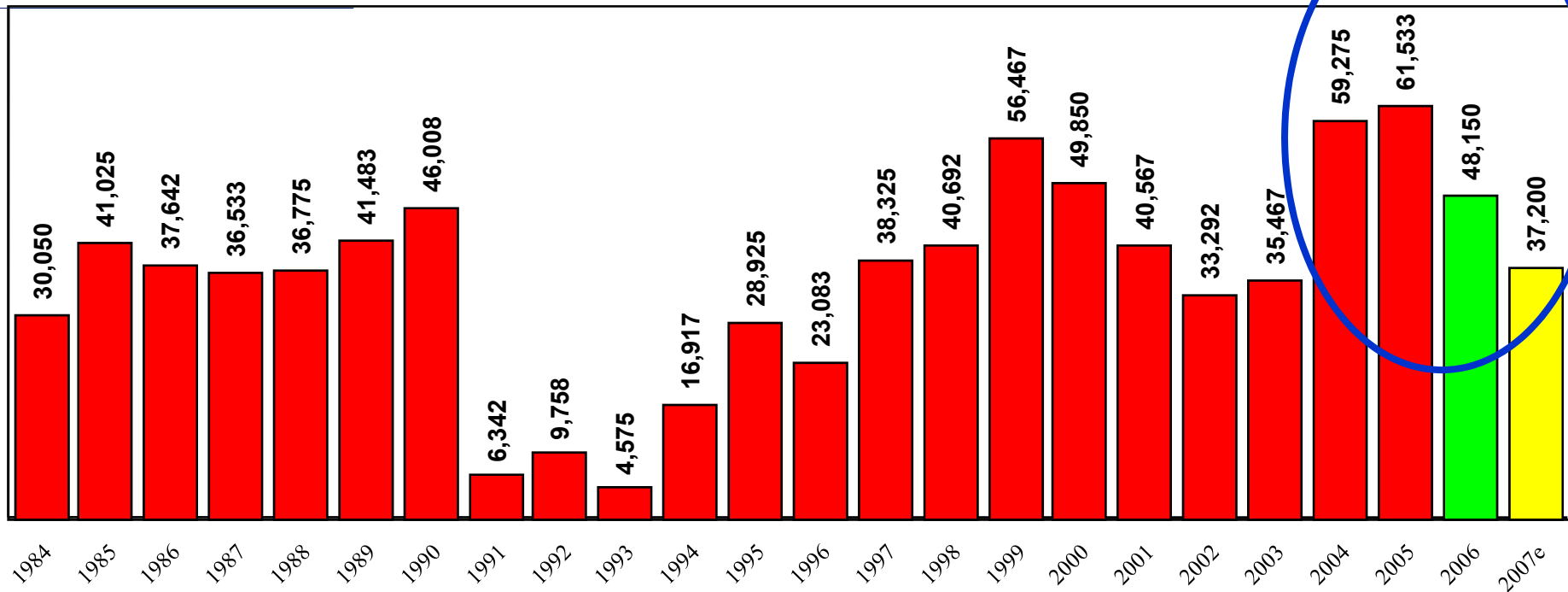
Source: CA Employment Development Department



Growth of 37,200 jobs in 2007

LESS THAN 48,150 in 2006

Inland Empire Job Creation
January-December Average, 1984-2007e



2006 Preliminary
Source: CA Employment Development Department

Population Serving Jobs About Dirt

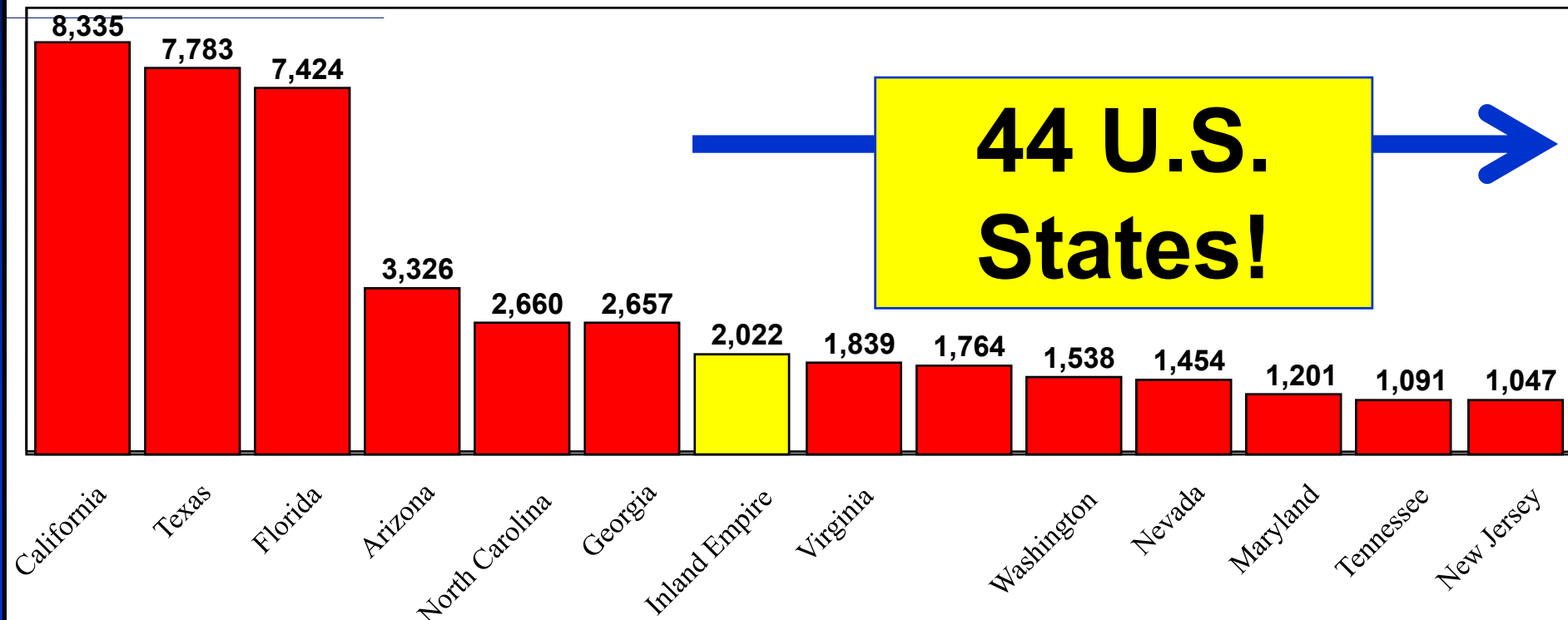


“Dirt”

- 1. Affordable Housing & Population Serving Jobs**
- 2. Industrial Projects & Blue Collar Jobs**
- 3. Expensive Housing, Skilled Workers & High Paying Jobs**

Population Growth, 2000-2020!

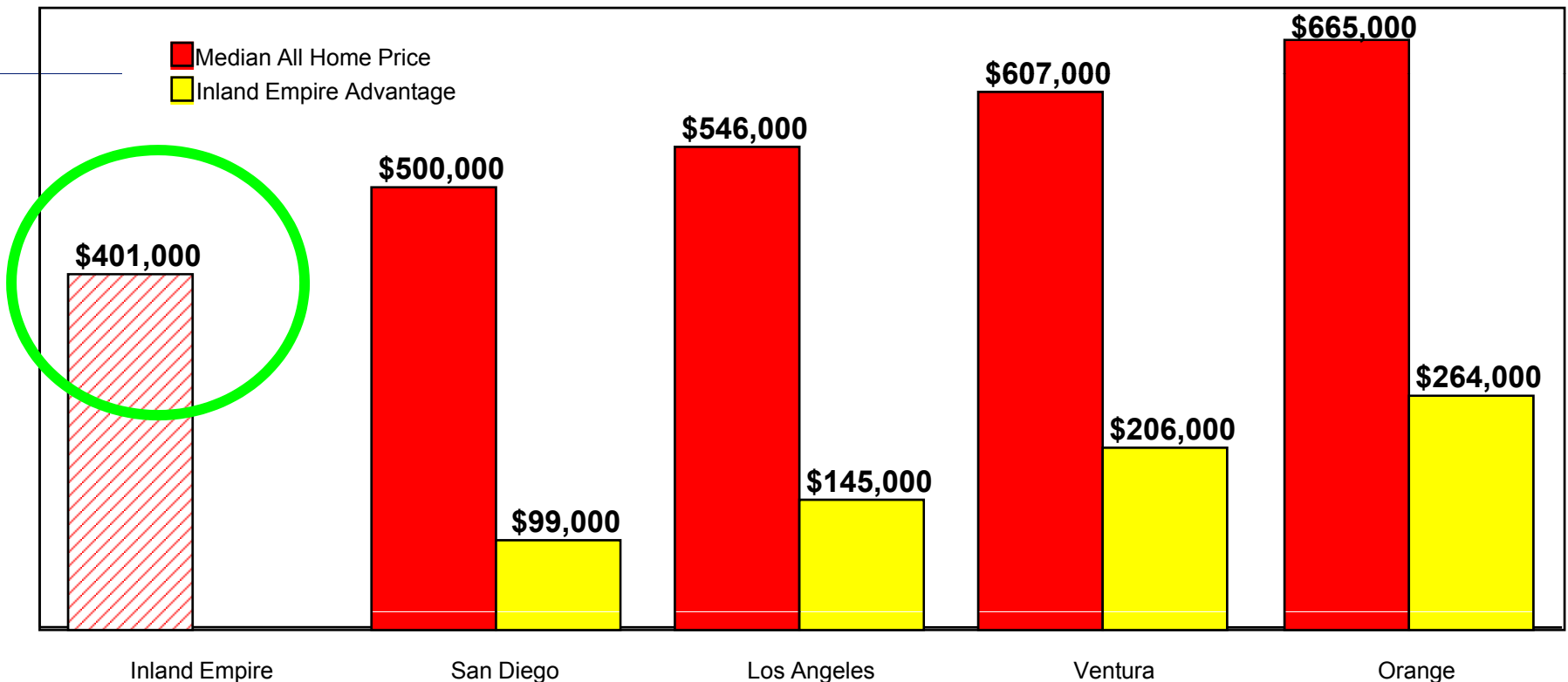
Forecasted Population Growth, 2000-2020 Riverside, Inland Empire & Top 12 States (000)



Source: U.S. Bureau of Census, Southern California Association of Governments

Home Prices Drive Population Growth

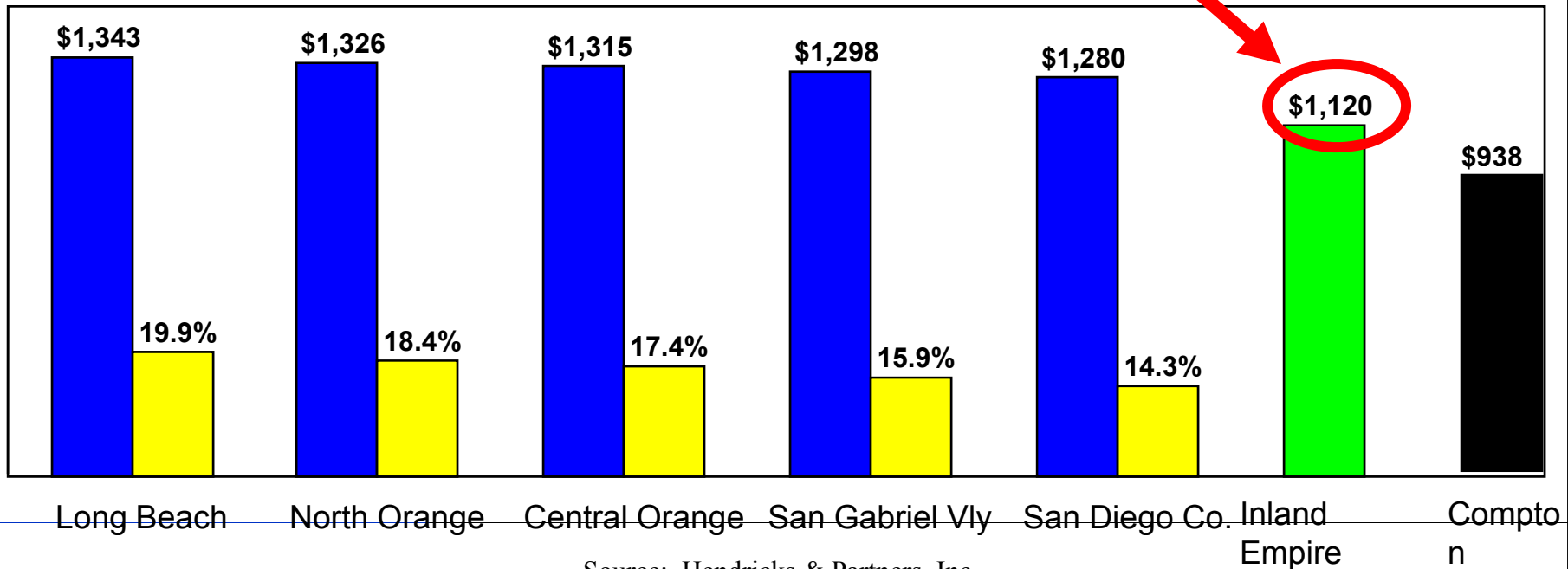
**Home Price Advantage, Inland Empire & So. California Markets
Median Priced New & Existing Home, 1st Quarter 2007**



Source: Dataquick

Inland Empire apartment rents 14.3% to 19.9% less expensive than coastal markets, except Compton.

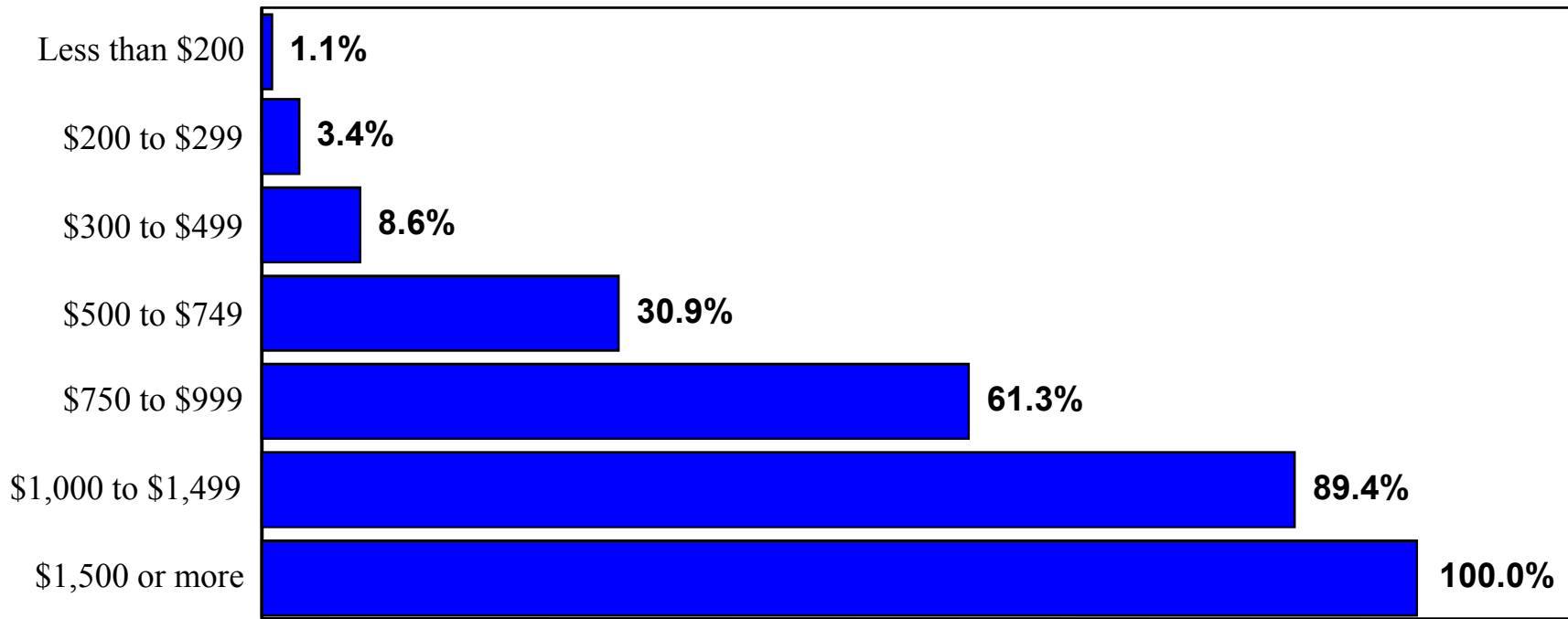
Average Apartment Rental Rate, 50 or More Units
Southern California Markets, 3rd Quarter 2006



Source: Hendricks & Partners, Inc.

Share of All Rentals At or Below Rent Level

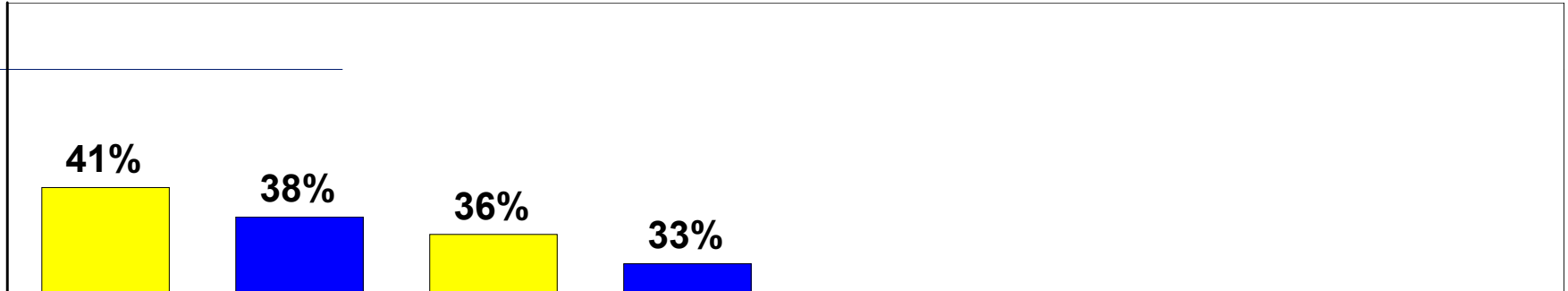
**Share of Rental Units, By Monthly Rent Level or Less
San Bernardino County, 2005**



Source: 2005 American Community Survey

Affordability: Home Purchase

**Local 1st Time Buyers Afford Home, 10% Down
Variable Rate, 85% of Median Price, 40% of Income, 4th Qtr 2006**



SB County

- Price = \$323,130
- Monthly = \$2,180
- Income = \$65,490

High Desert

- Price = \$279,480
- Monthly = \$1,890
- Income = \$56,650

Source: CA Association of Realtors

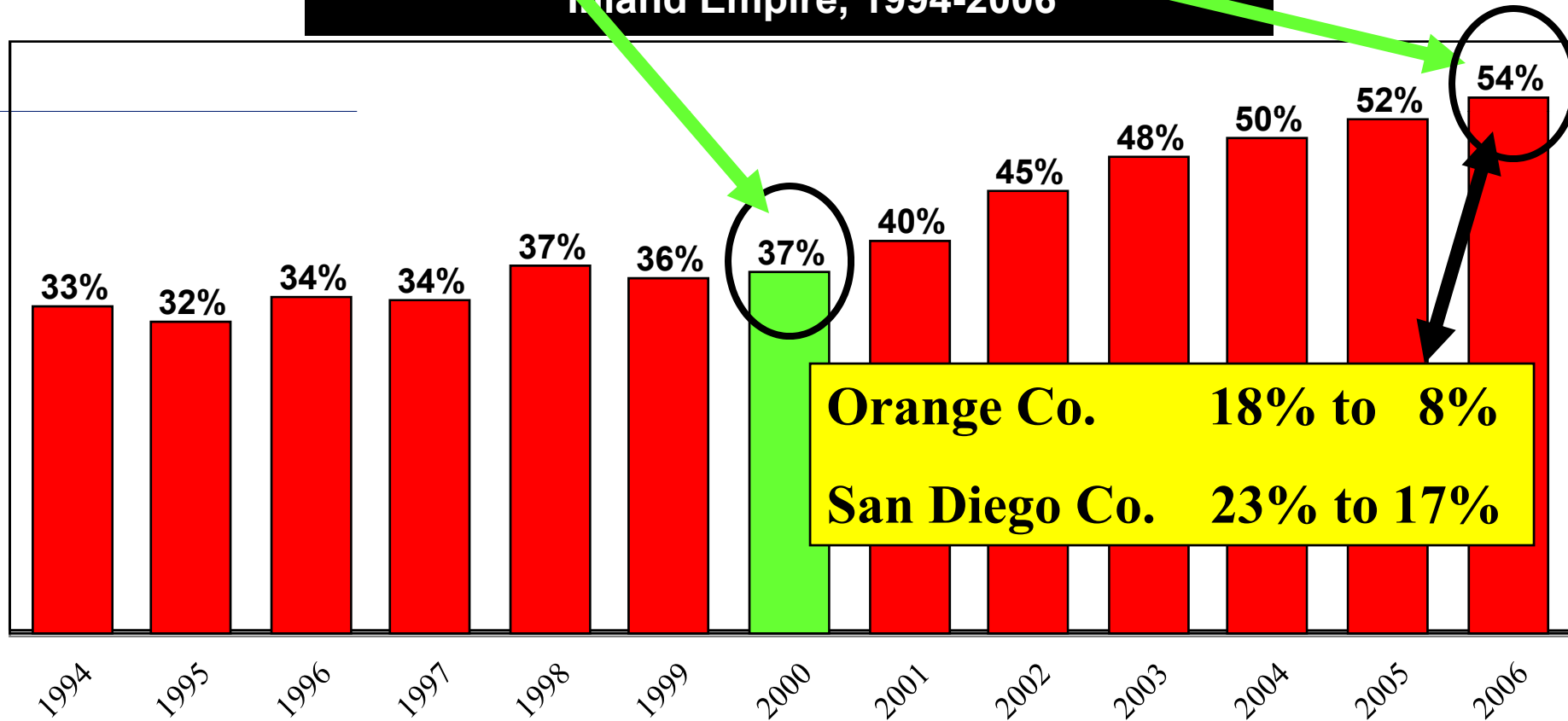
BUILD FREEWAYS & THEY'LL COME



**Don't Build Them & They'll Come
Anyway!**

Share of New Home Market

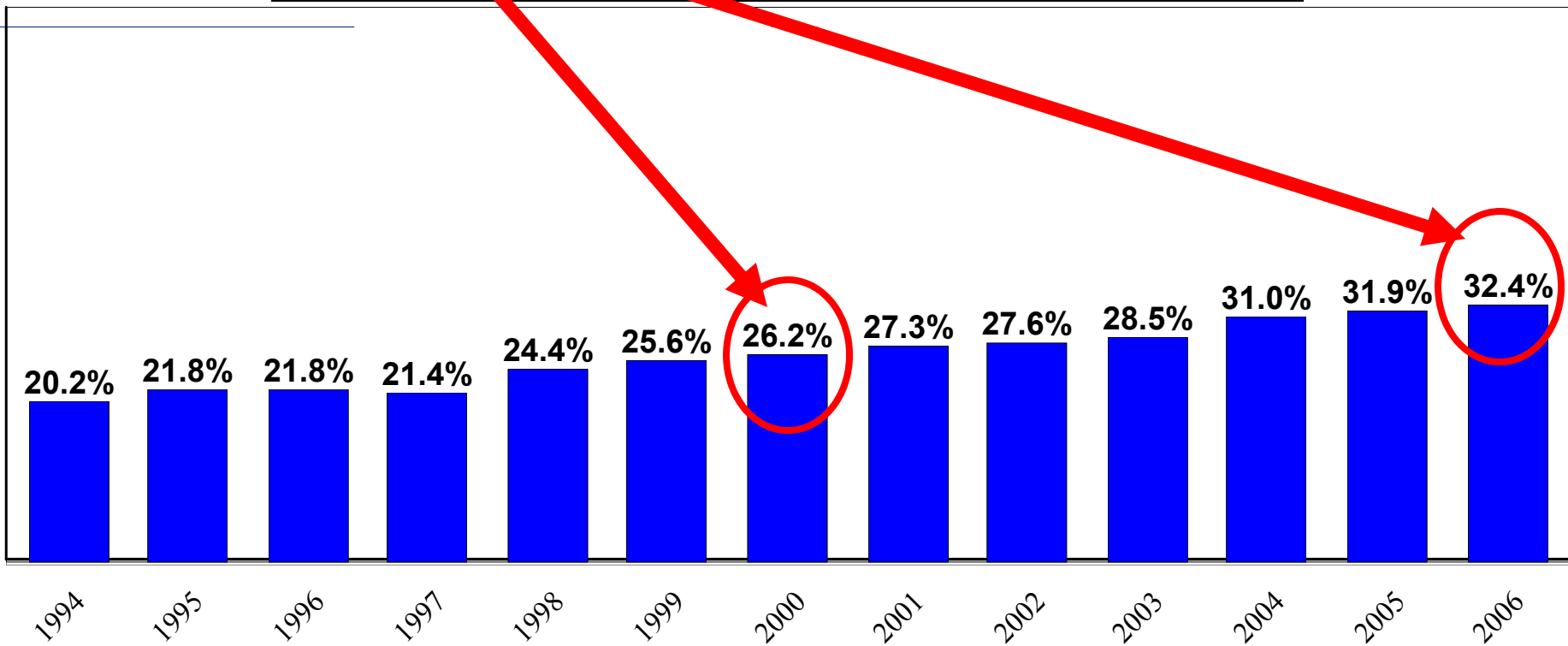
Share of Southern California New Home Sales
Inland Empire, 1994-2006



Source: Dataquick

Share of Existing Home Market

Share of Southern California Existing Home Sales
Inland Empire, 1994-2006



Source: Dataquick

The Price Bubble?

BURST?

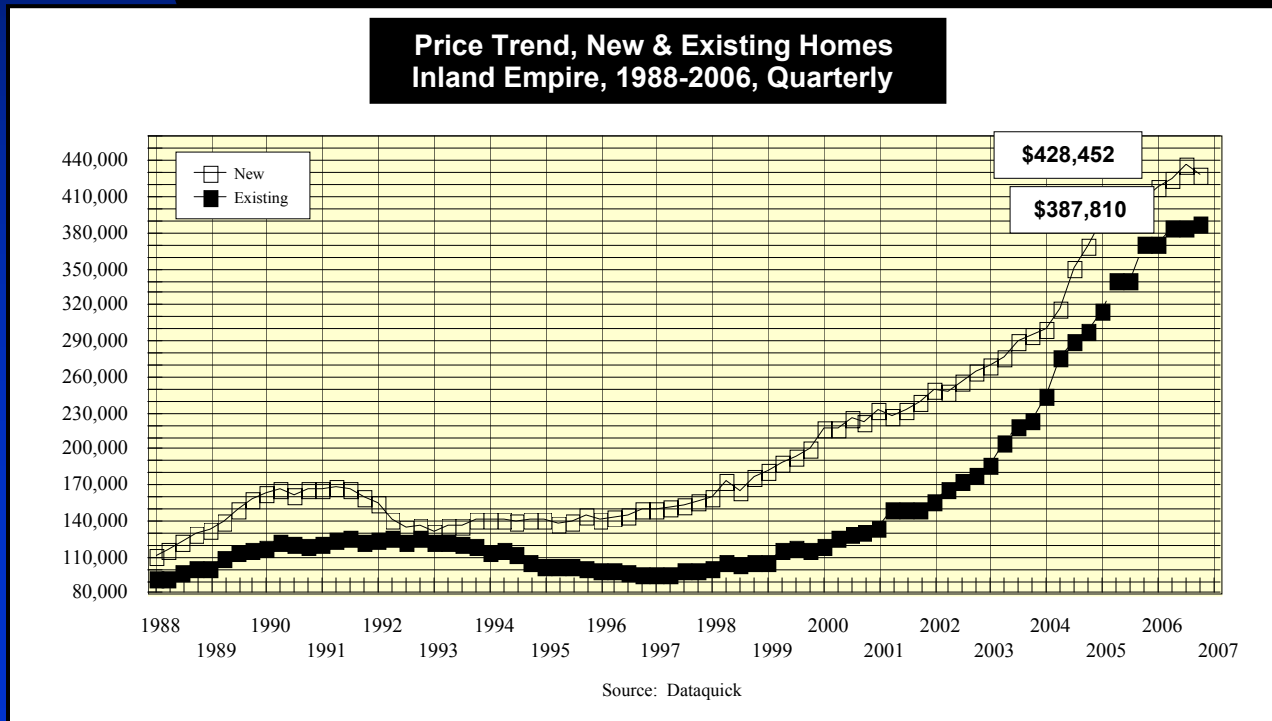


Housing Prices Took Off For Sound Reasons

Demand Rising With Demographics

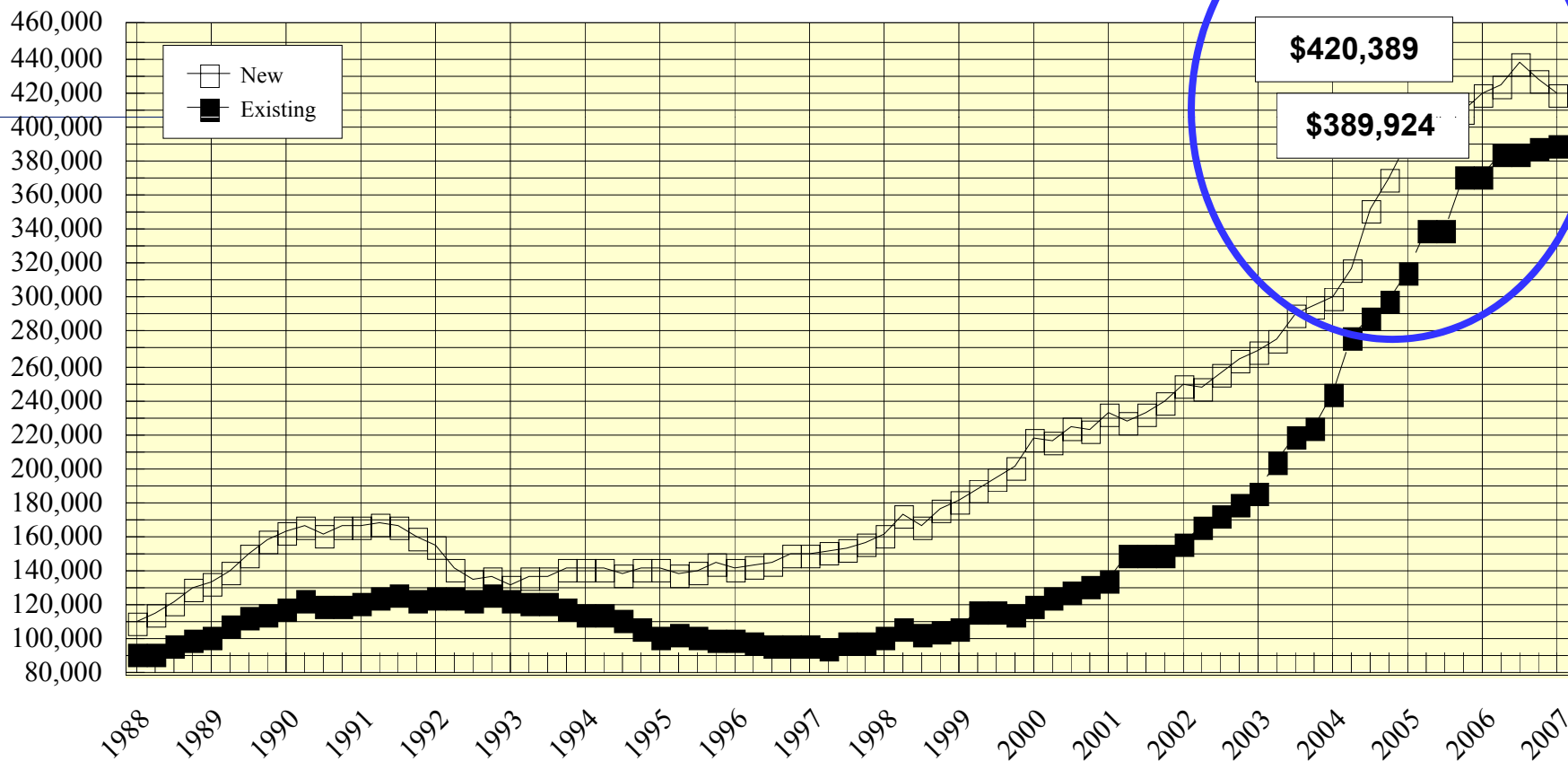
Supply Restrained By State Laws

Prices Had To Take-Off To Eliminate Buyers



Price Behavior

Price Trend, New & Existing Homes
Inland Empire, 1988-2007, Quarterly



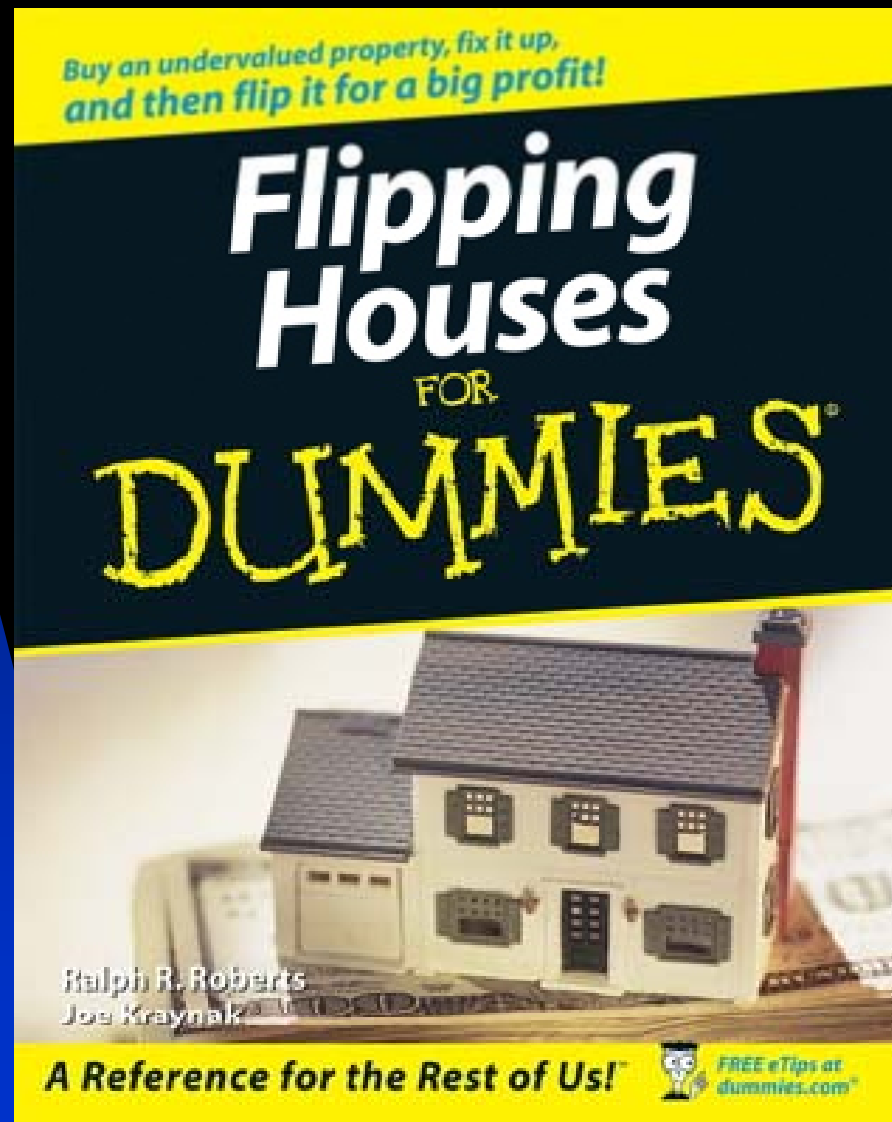
Source: Dataquik

Impact Of Stopping Housing Projects

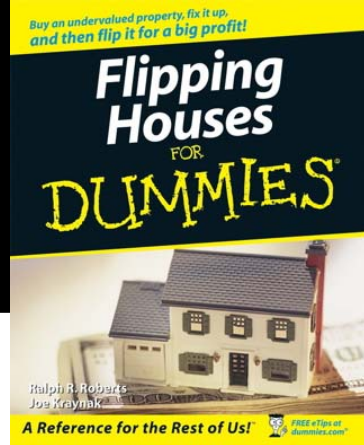


Future Middle Class Will Be Renters Not Homeowners

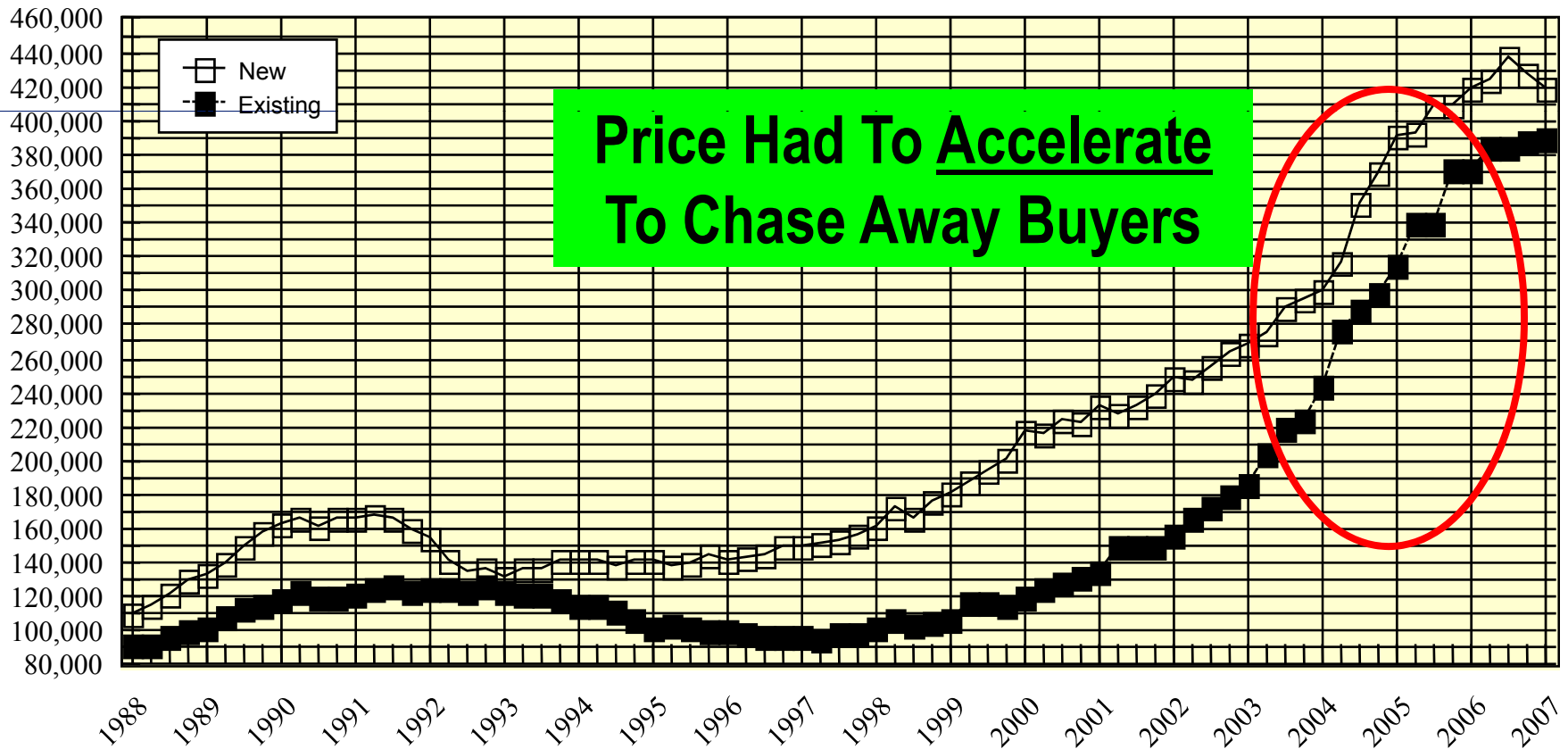
Real Problem #1



Effect of Speculators



Price Trend, New & Existing Homes
Inland Empire, 1988-2007, Quarterly



Source: Dataquick

Real Problem #2



No Money Down

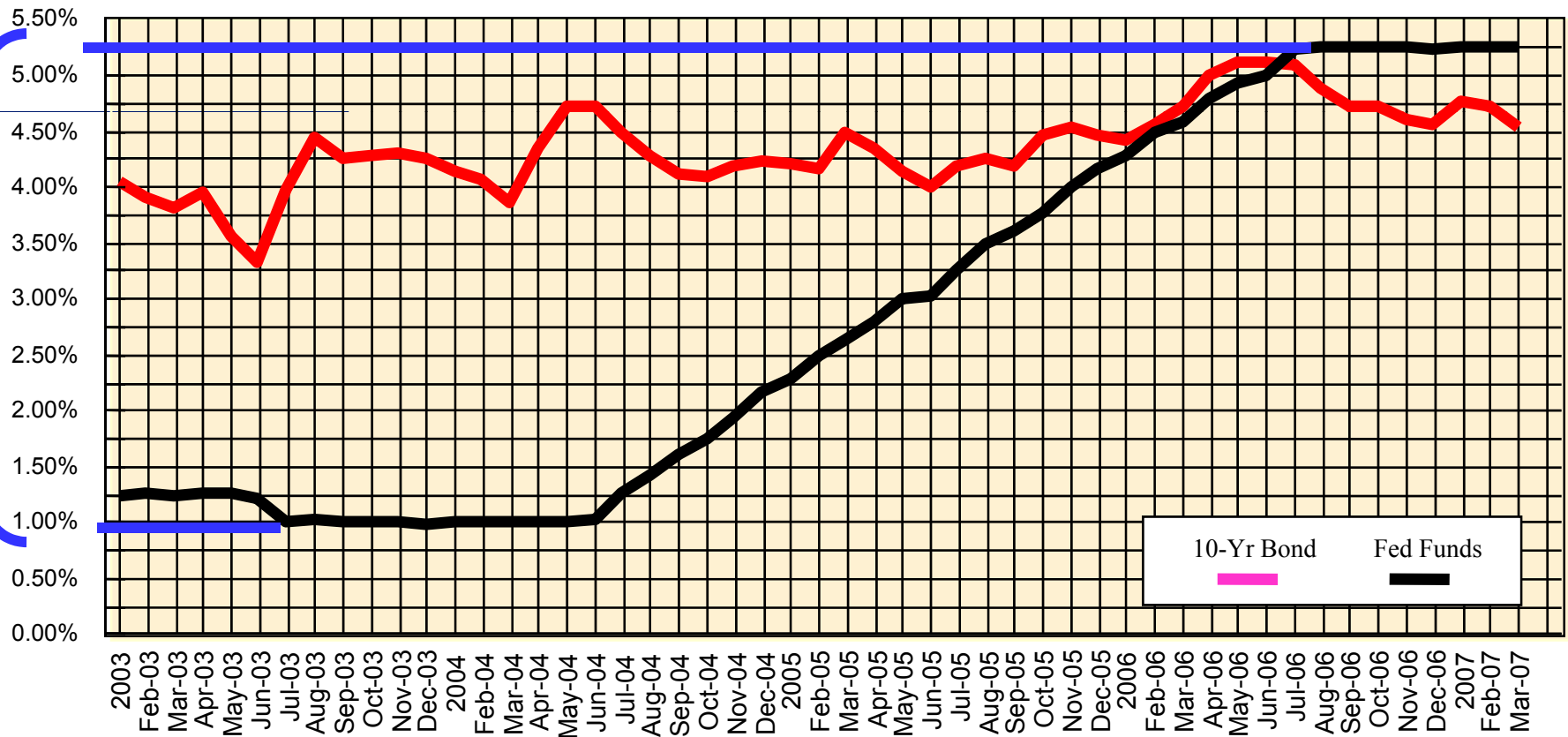
Interest Only

Variable Rate



Fixed Rates Stable ... Variable Rate Soared!

Fed Funds & 10 Year Bond Rates, 2003-2007



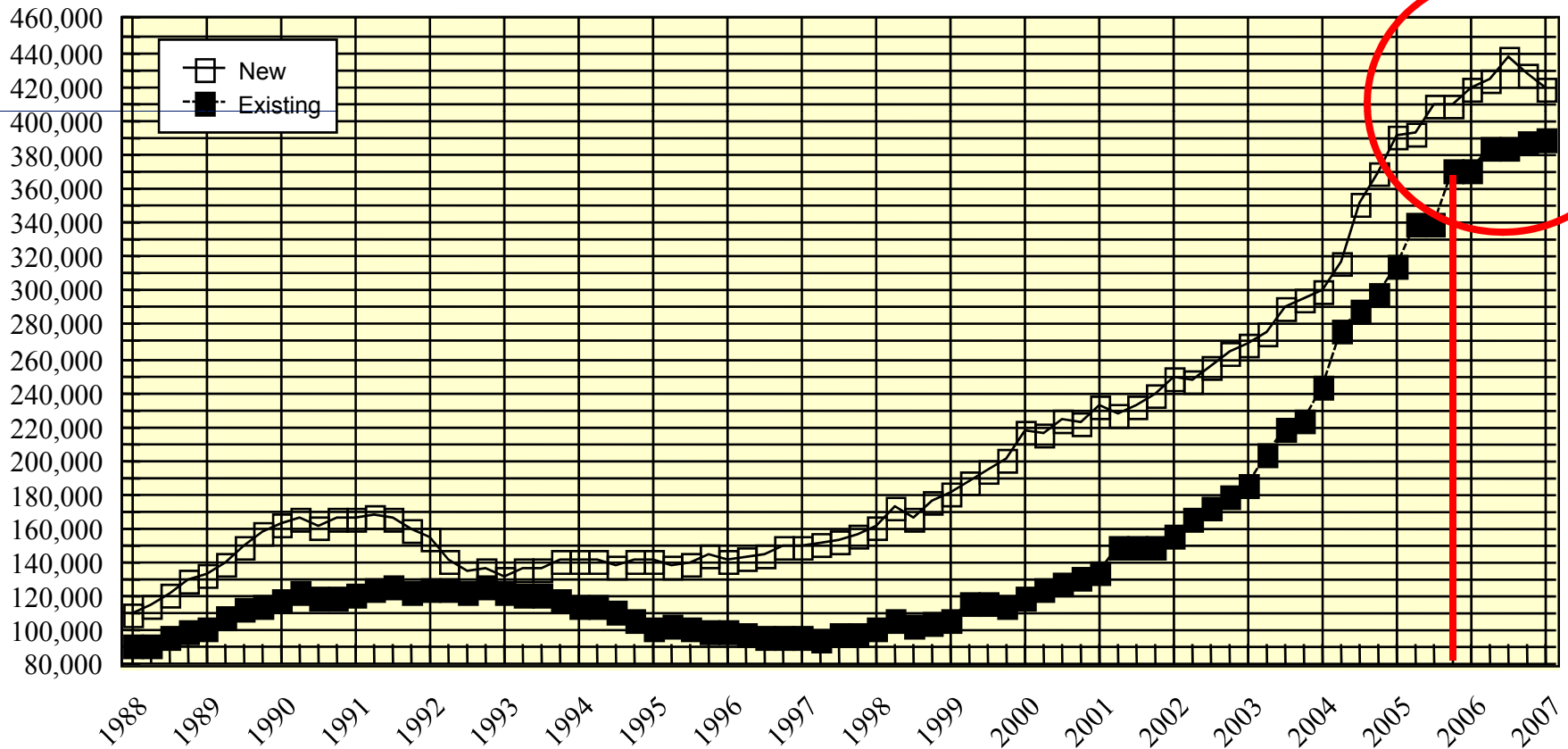
Source: Federal Reserve Board

Tragedy!

- Payment is 25% of Income To Buy On Teaser Mortgage
- Payment is 42% of Income When Adjusts to 30-Year Fixed
- Payment is 48% of Income If Rate Rose Just 2%

Strategy Required Rising Prices

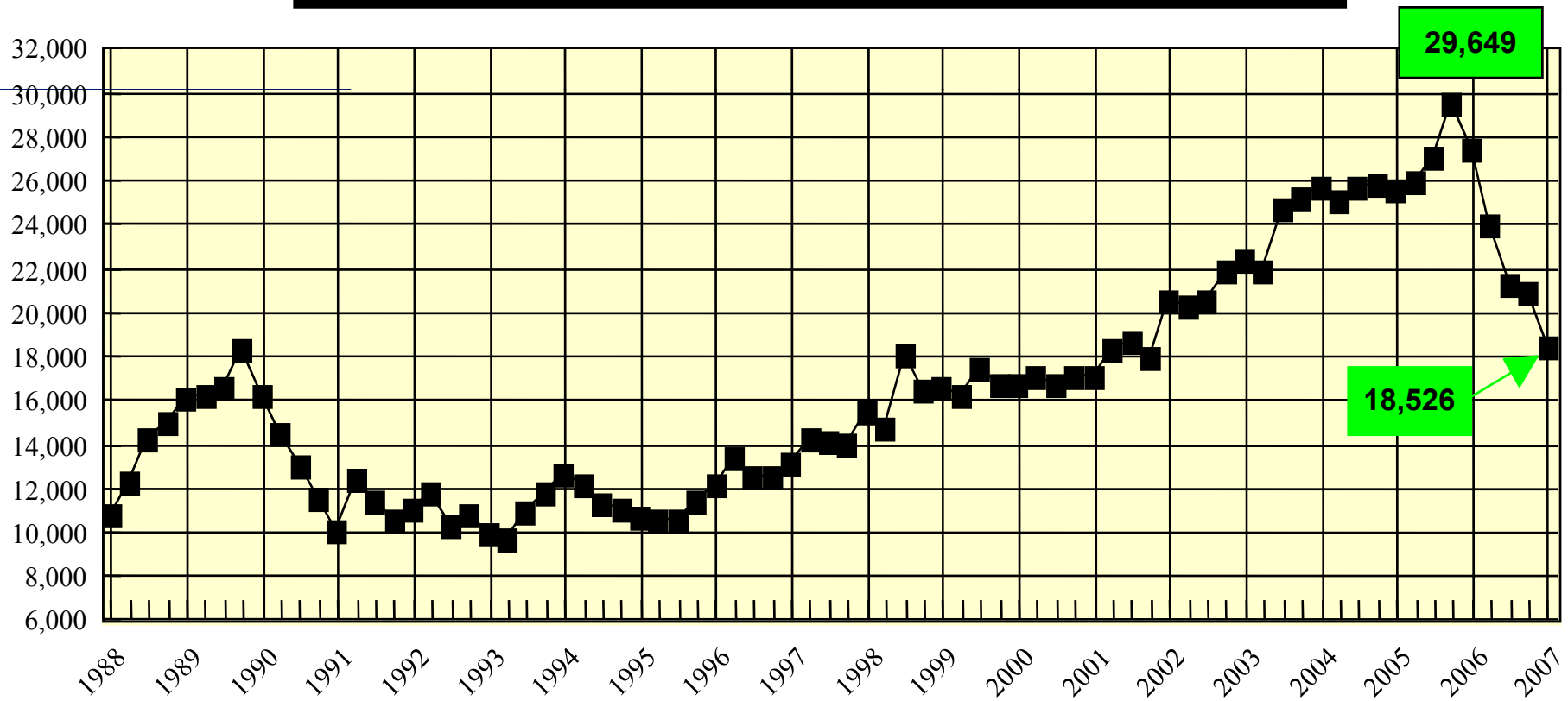
Price Trend, New & Existing Homes
Inland Empire, 1988-2007, Quarterly



Source: Dataquick

Strategy Required Strong Demand

**Exhibit 10.-Existing & New Homes Sales, Inland Empire
Seasonally Adjusted, by quarter, 1988-2007**



Source: Dataquick

What Happened To Demand?



Result

Insider Tips, Strategies and Insights

How to Make Money on Foreclosures

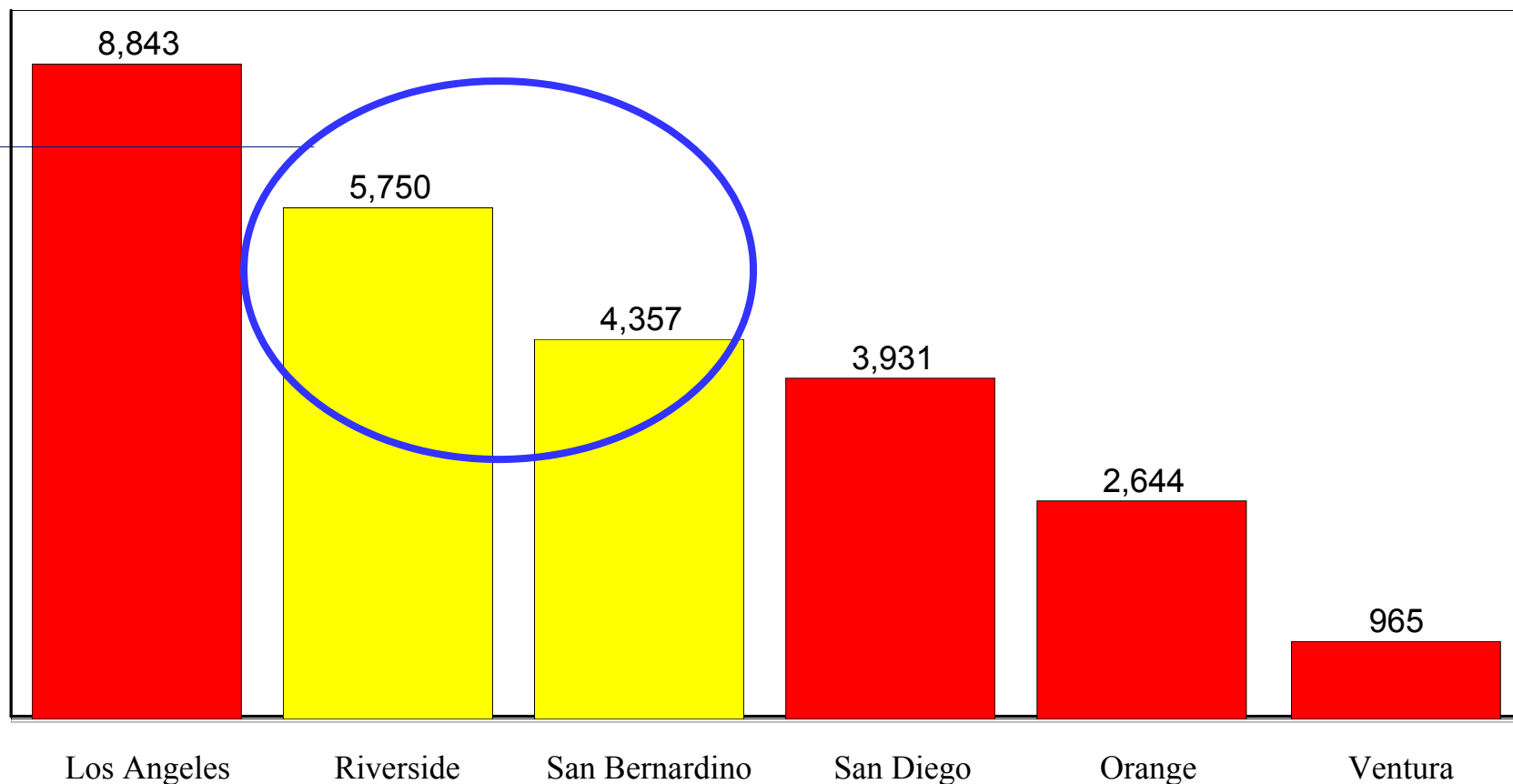


From finding properties that meet your standards,
to negotiation with sellers in financial distress,
to reselling the properties for a healthy profit.

Denise L. Evans, Attorney at Law

Default Notices: 1st Qtr. 2007

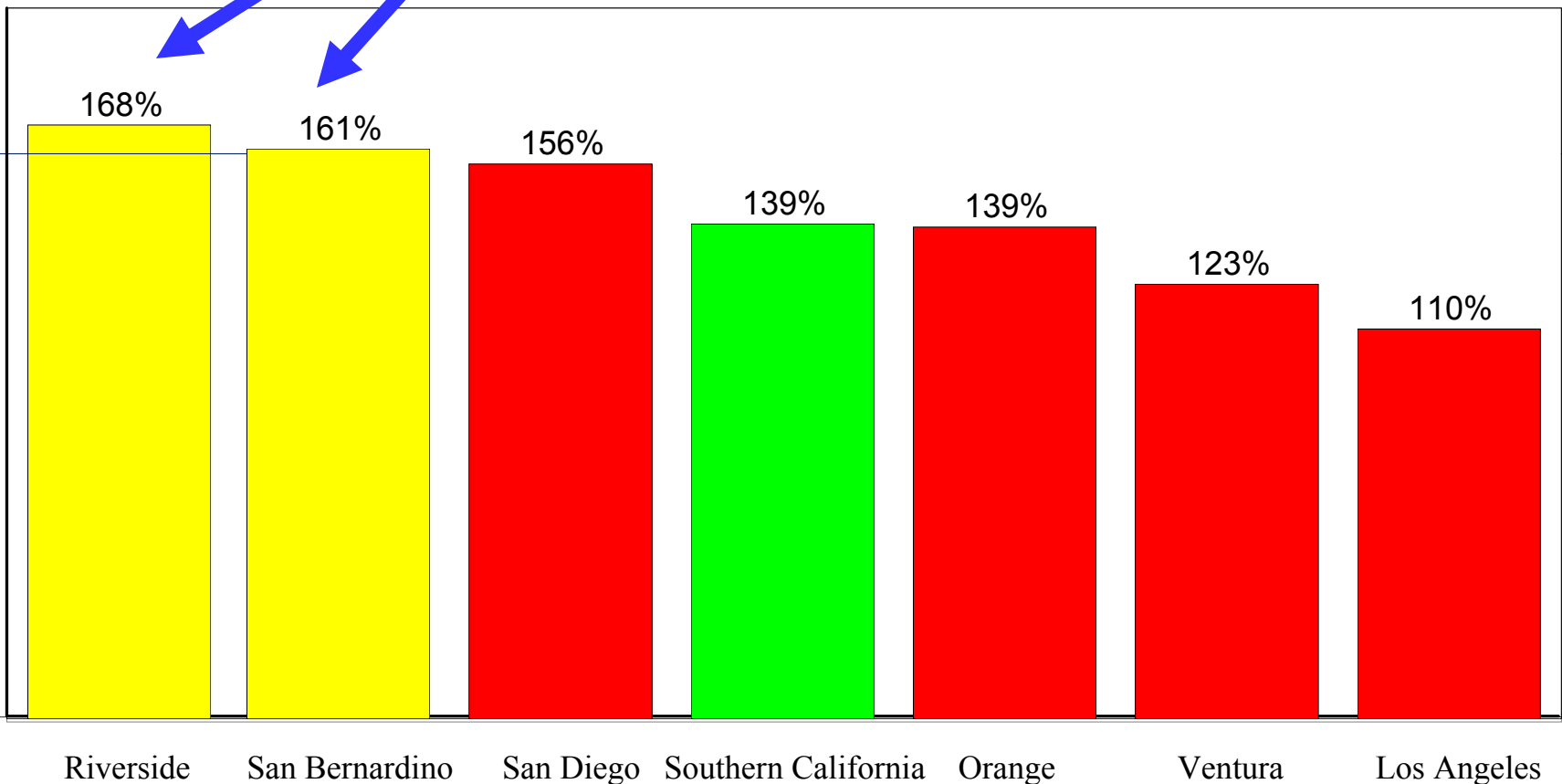
Default Notices Southern California, 1st Quarter 2007



Source: DataQuick

Rate of Default Growth, 2006-2007

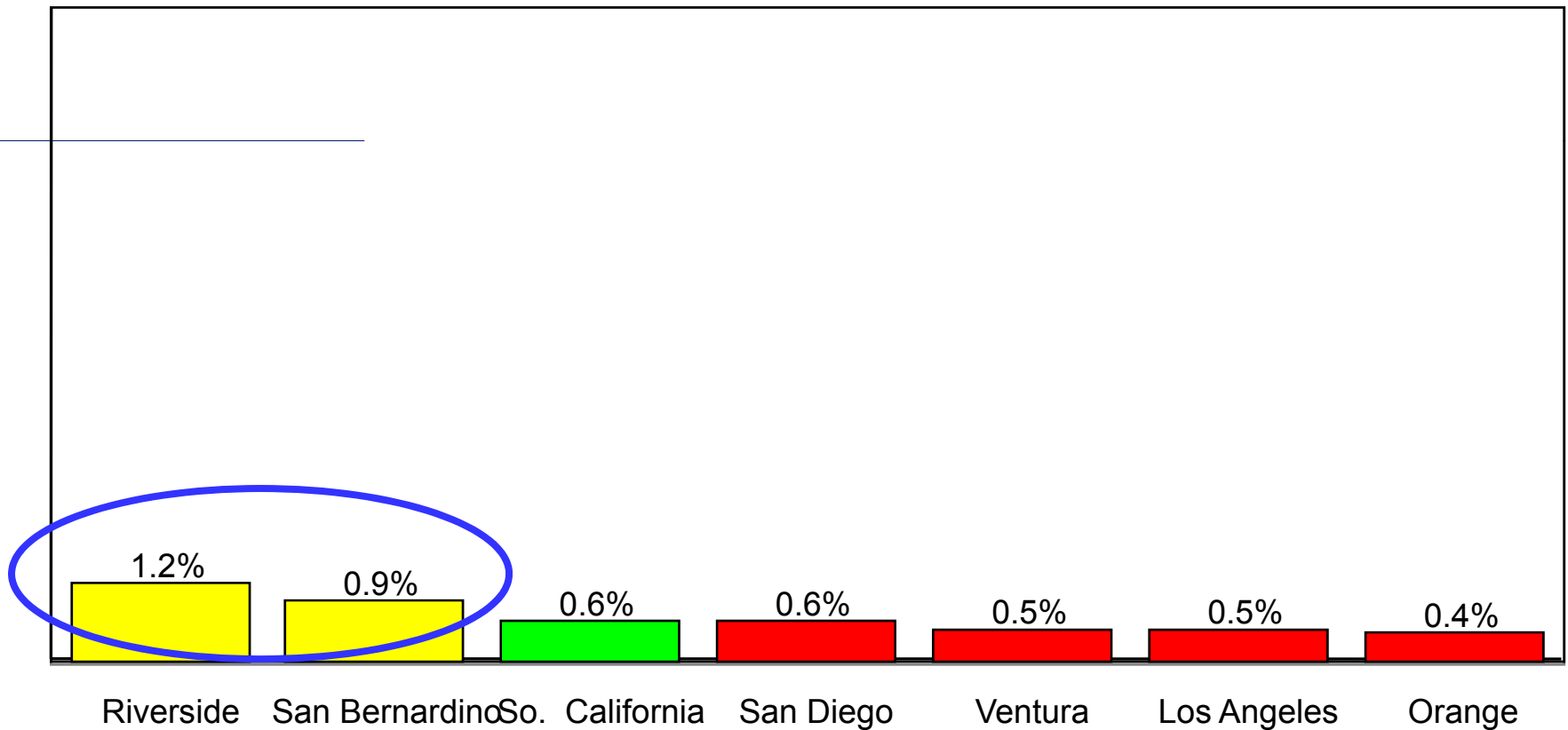
Default Notices: Rate of Increase
Southern California, 1st Quarter 2007



Source: DataQuick

Share of All Homes Going Into Default

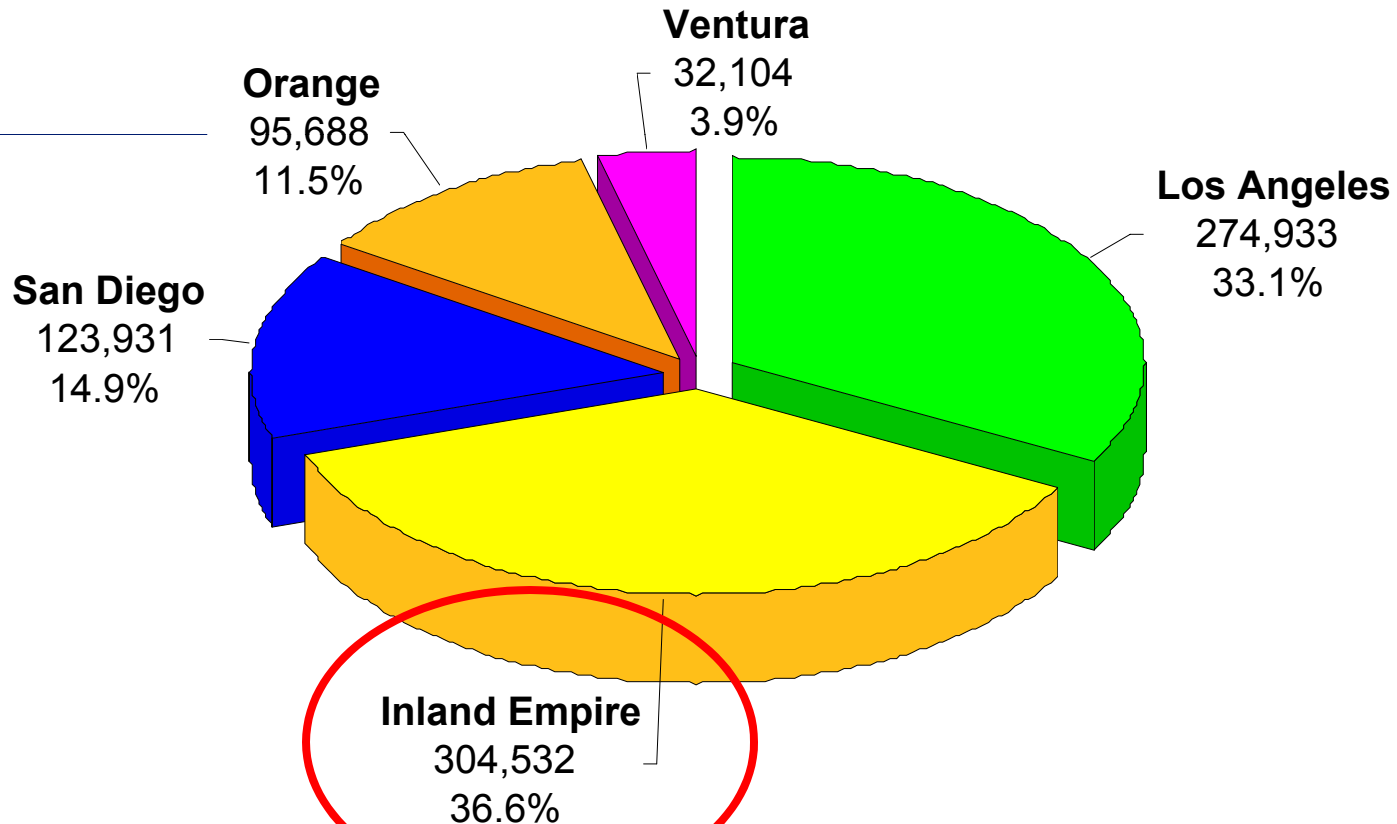
Share of All Homes Going Into Default
Southern California, 1st Quarter 2007



Source: DataQuick

Where Were Homes Sold, 2004-2006?

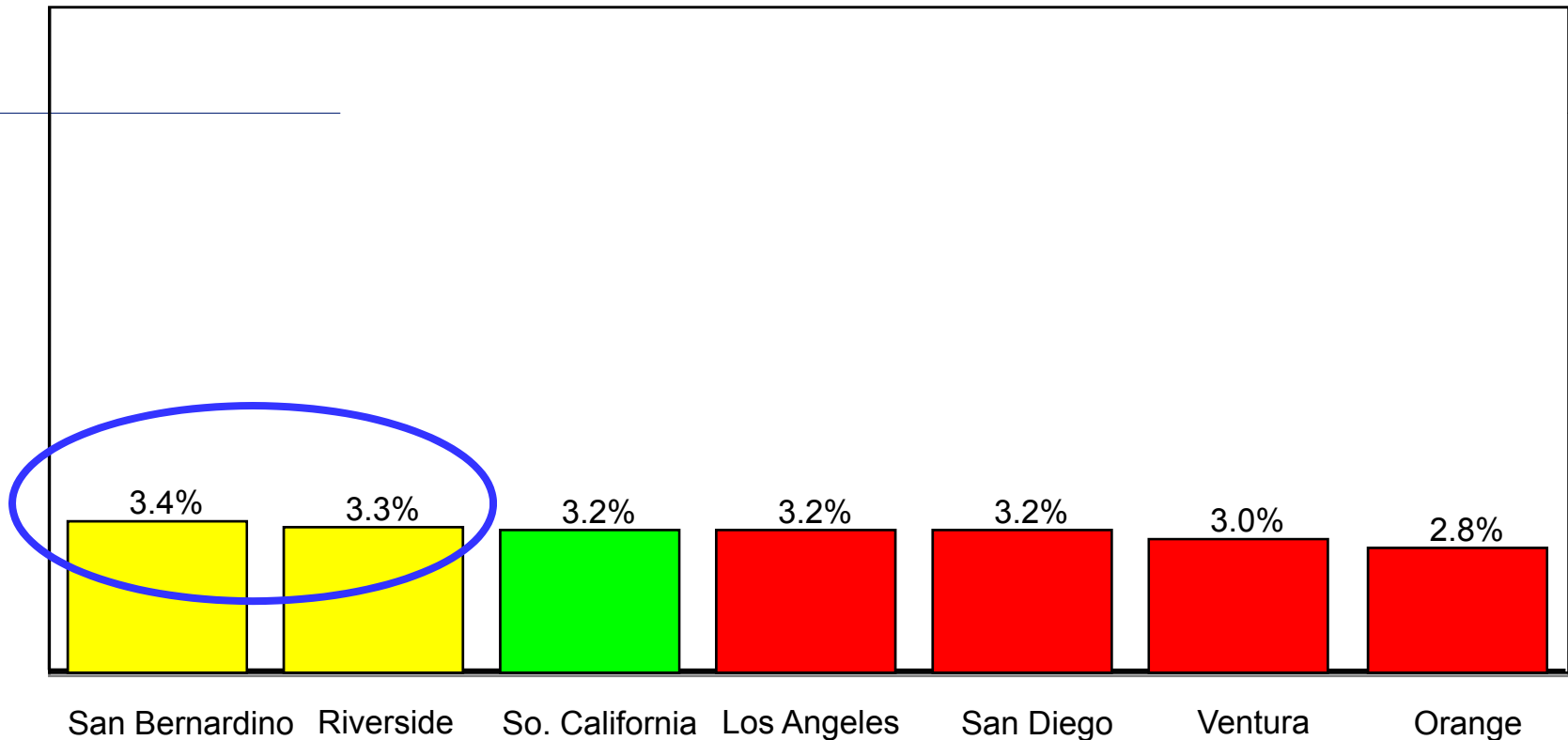
Total Homes Sold Southern California, 2004-2006



Source: DataQuick

Share of Homes Sold 2004-2006 Going Into Default

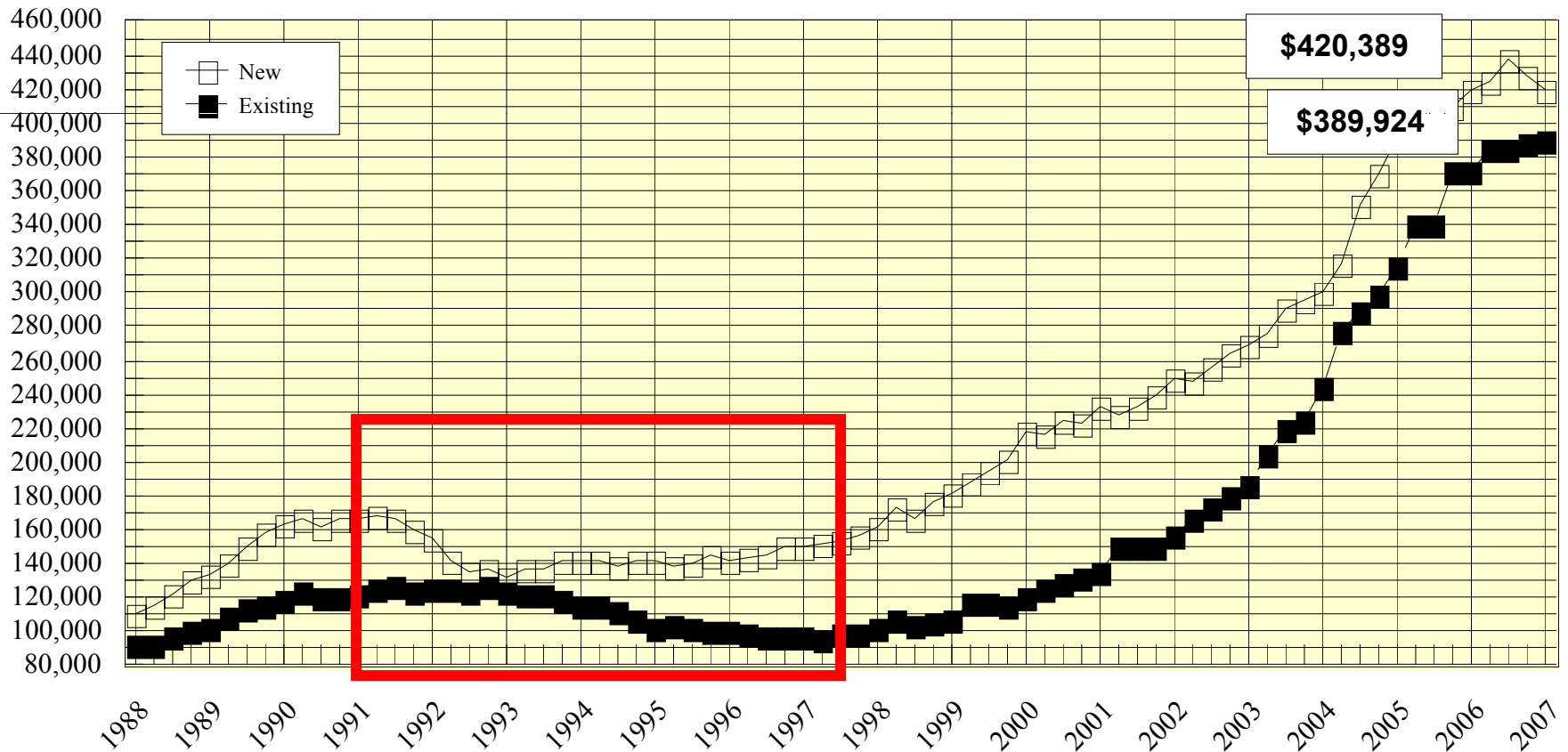
Share of Homes Sold 2004-2006 Going into Default
Southern California, 1st Quarter 2007



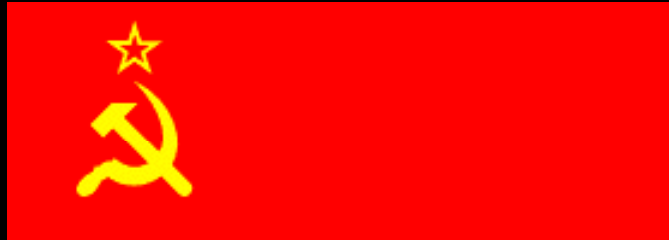
Source: DataQuick

Will Prices Collapse Like 1991-1997?

Price Trend, New & Existing Homes
Inland Empire, 1988-2007, Quarterly



Source: Dataquick

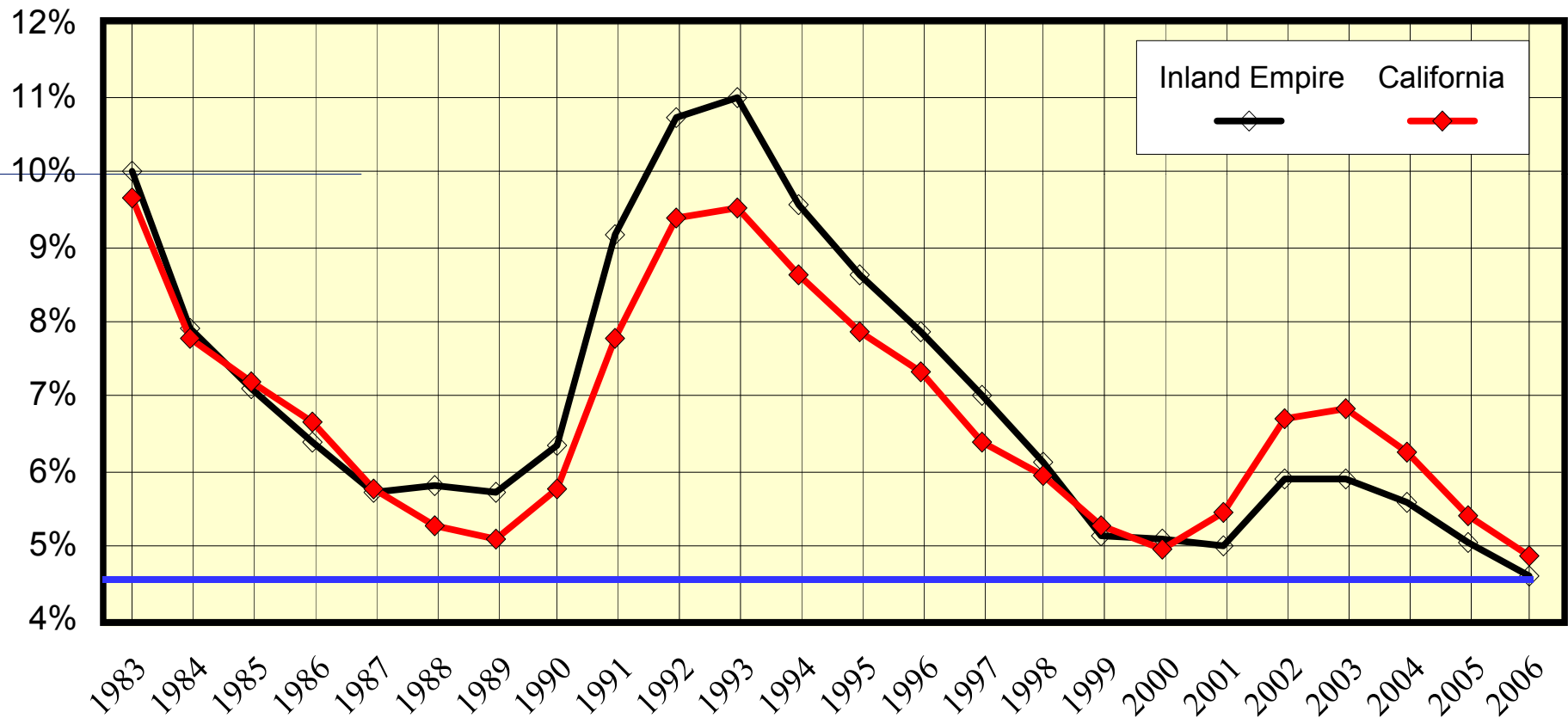


**No! Southern California Lost 550,000
Jobs Due To Defense Cut Backs**



Unemployment: Very Low!

Exhibit 5.-Unemployment Rates, 1983-2006
Annual, Inland Empire & California



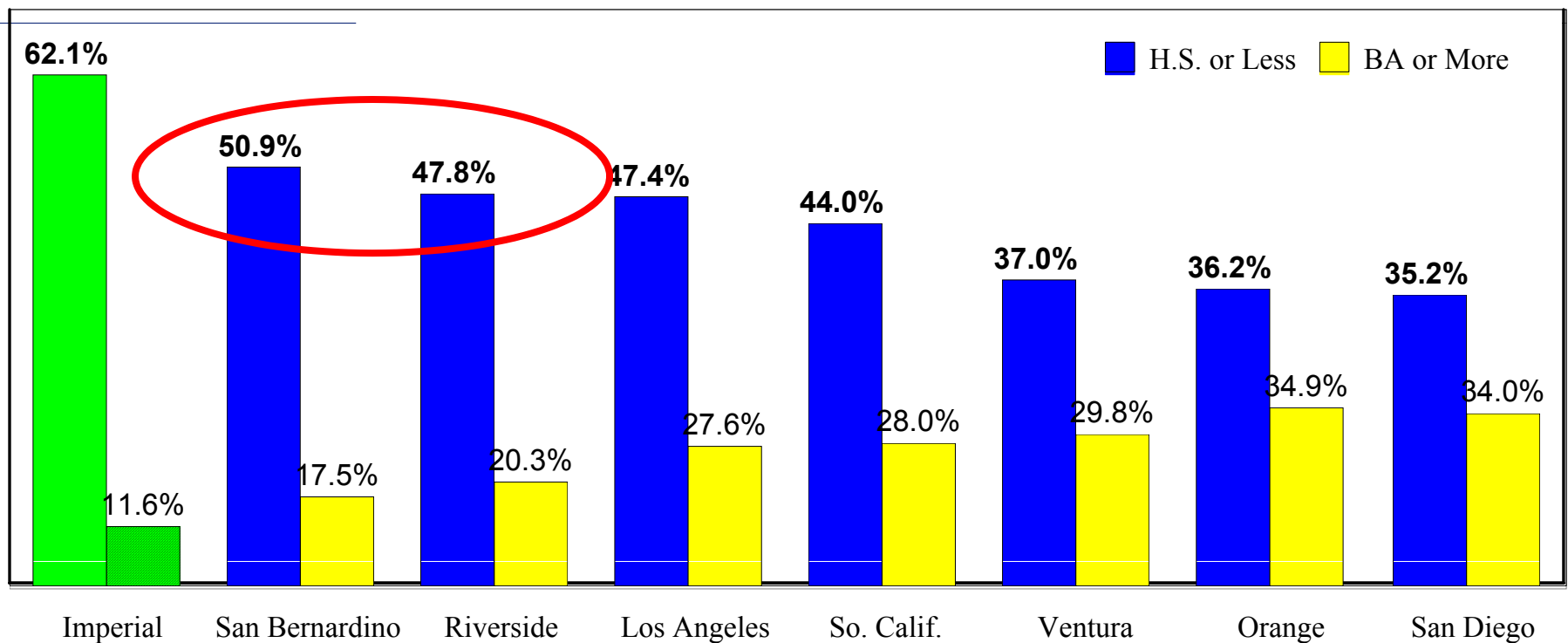
Source: CA Employment Development Department

Blue Collar Job Growth



Why Blue Collar Jobs Important

**Education: High School or Less v. BA or More
Persons 25 & Over, 2005**

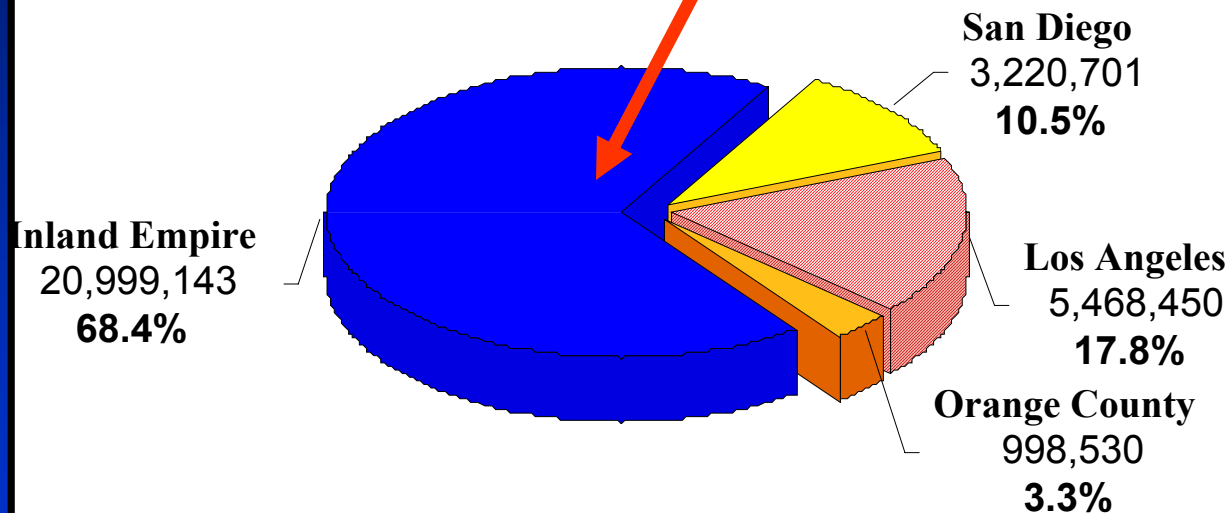


Source: 2005 American Community Survey, Census Bureau

BLUE COLLAR JOB FORECAST

Inland Empire, 68.4% of So. Calif. Industrial Construction Market

**Industrial Space Under Construction
Southern California Market, December 2006**



Sources: Grubb & Ellis

Low Cost Industrial Dirt

\$624,000 Difference in Lease Rate = \$12.5 million in Sales

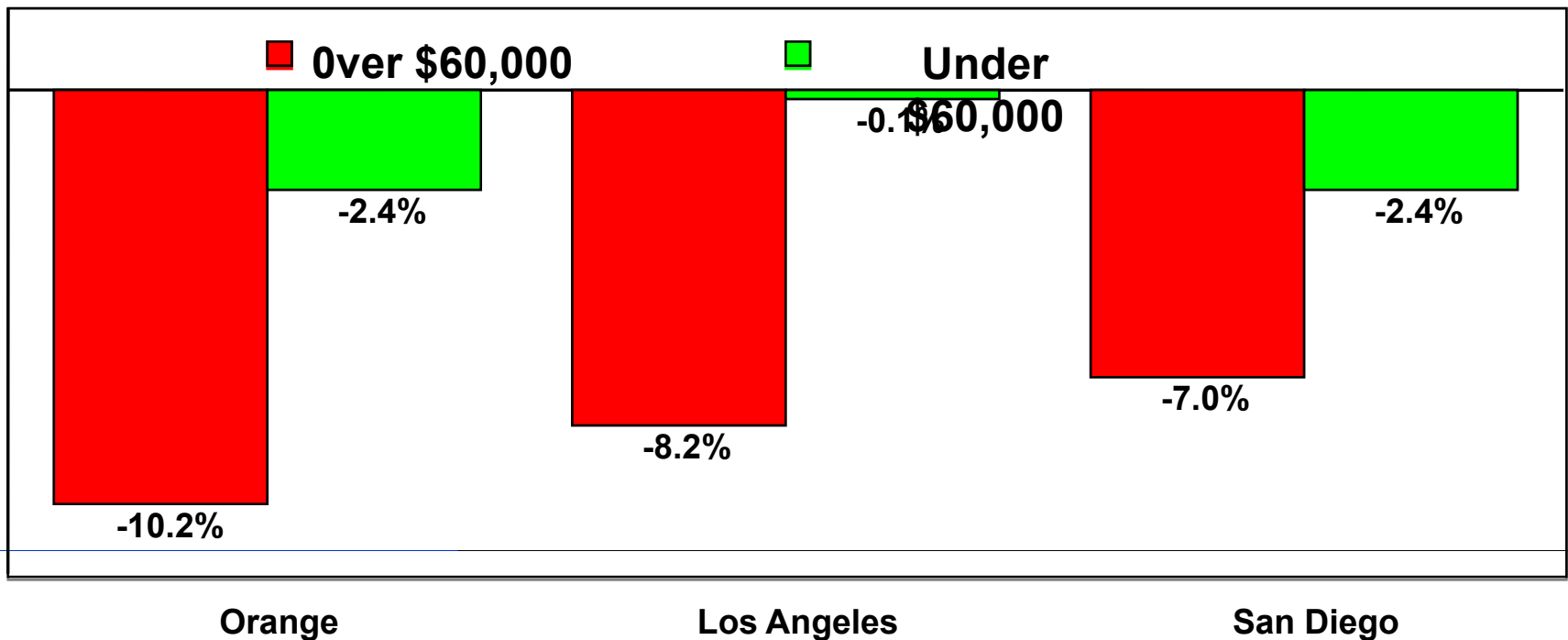
@ 5% Return On Sales

Southern California, Sub-Markets, 400,000 SF, December 2006



Some Workers Work For Less To Avoid Commuting

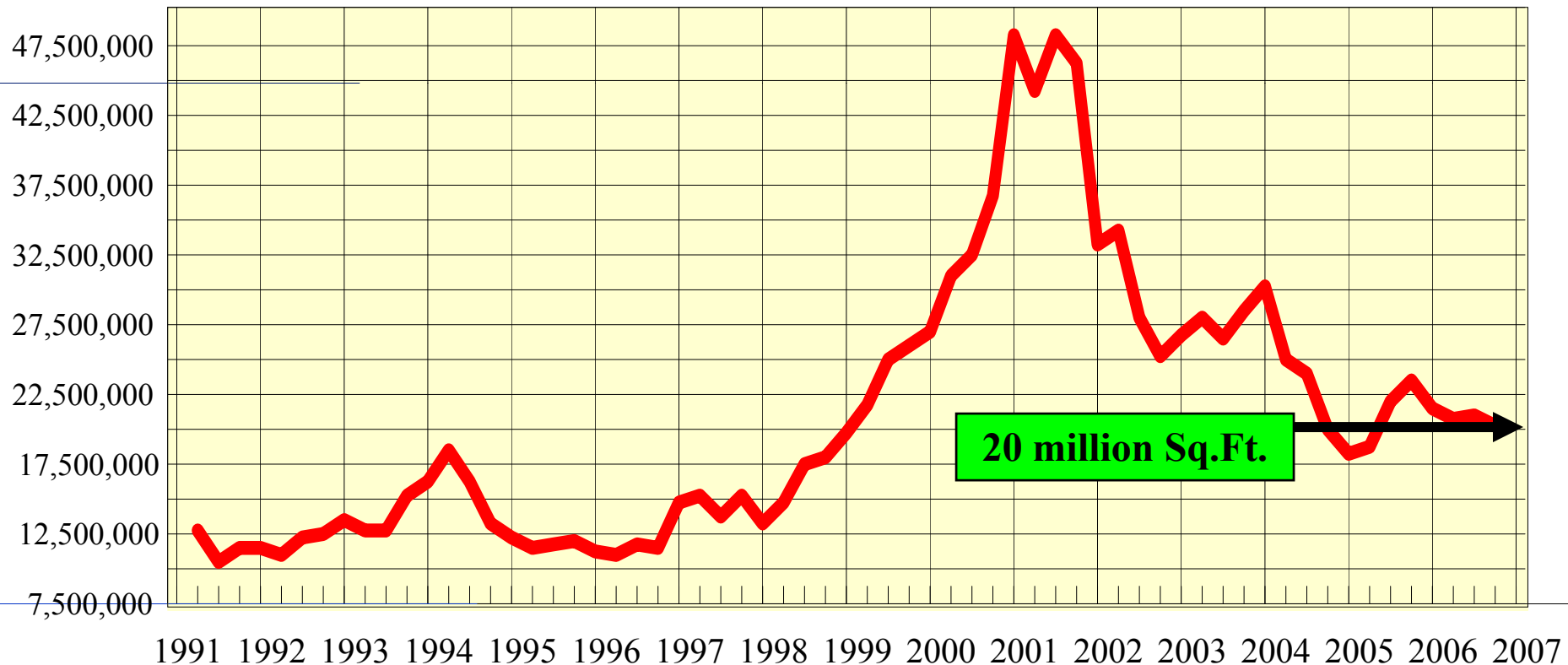
Inland Empire Labor Cost Savings IE vs. Coastal Counties, 2006



Source: Occupational Employment Survey, Employment Development Department; Weighting Economics & Politics Inc.

Quarterly Industrial Absorption, 1991-2006

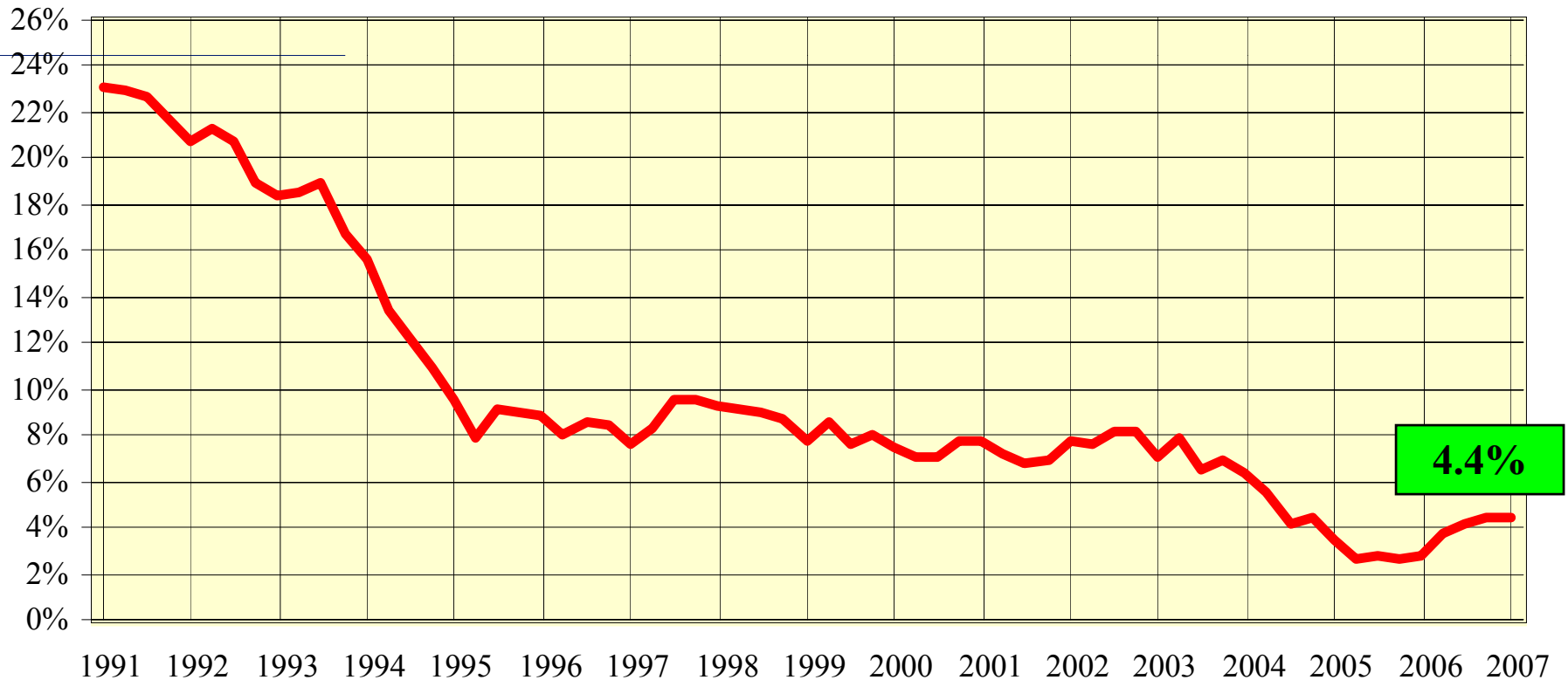
**Industrial Space Gross Absorption
Inland Empire, 1991-2006 (moving 4-quarter total)**



Source: Grubb & Ellis & Economics & Politics, Inc.

Industrial Vacancy Rate Very Low

**Exhibit 83.-Industrial Space Availability Rate
Inland Empire, 1991-2006**



Source: Grubb & Ellis



WAL★MART

ALWAYS LOW PRICES.

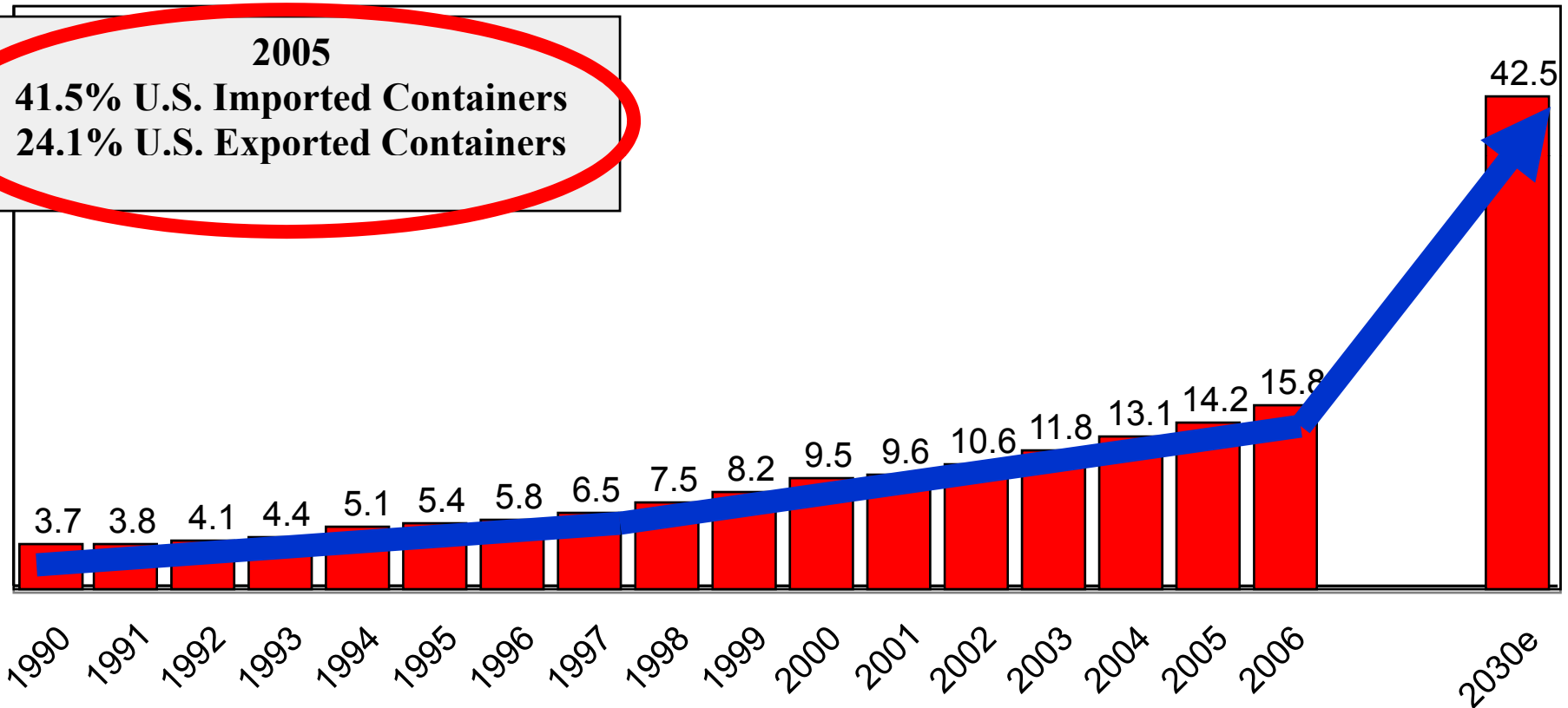
Always.



International Supply Chain Management

Soaring International Containers Thru So. Calif.

**Exhibit 6.-Port Container Traffic
Ports of Los Angeles & Long Beach, 1990-2005 & 2030e (million TEU)**



TEU=20 foot equivalent container units

Source: Port Import Export Reporting Service; forecast: Moffatt & Nichol Engineers

So. California Has Strong Competitive Advantages For Logistics

- 1. West Coast Location**
- 2. Deep Water Ports vs. Seattle, Vancouver**
- 3. Better Land Side Infrastructure**
- 4. Come To Southern California First**
- 5. Retailers save 18-20% of inventory cost managing goods from So. Calif. Not Asia.**



And Victorville will get BNSF Intermodal Expansion

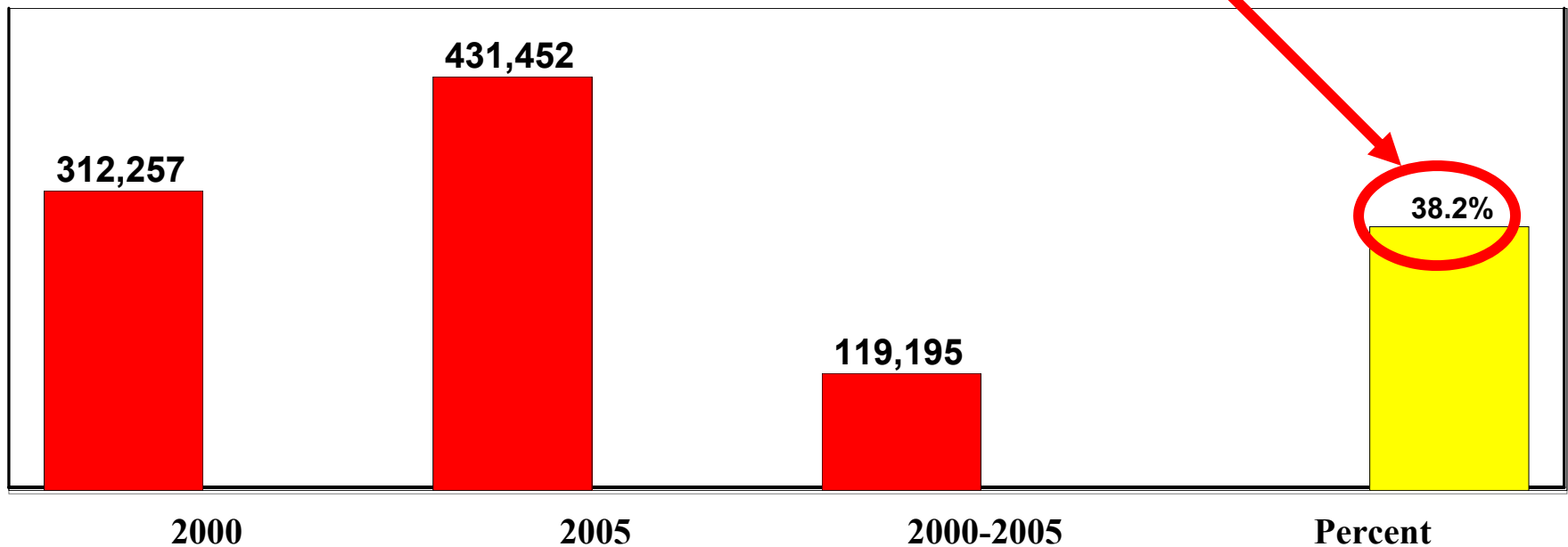
Issue: Transportation Infrastructure



HIGH-END & OFFICE JOB FORECAST

Educated Workers Migrating Inland

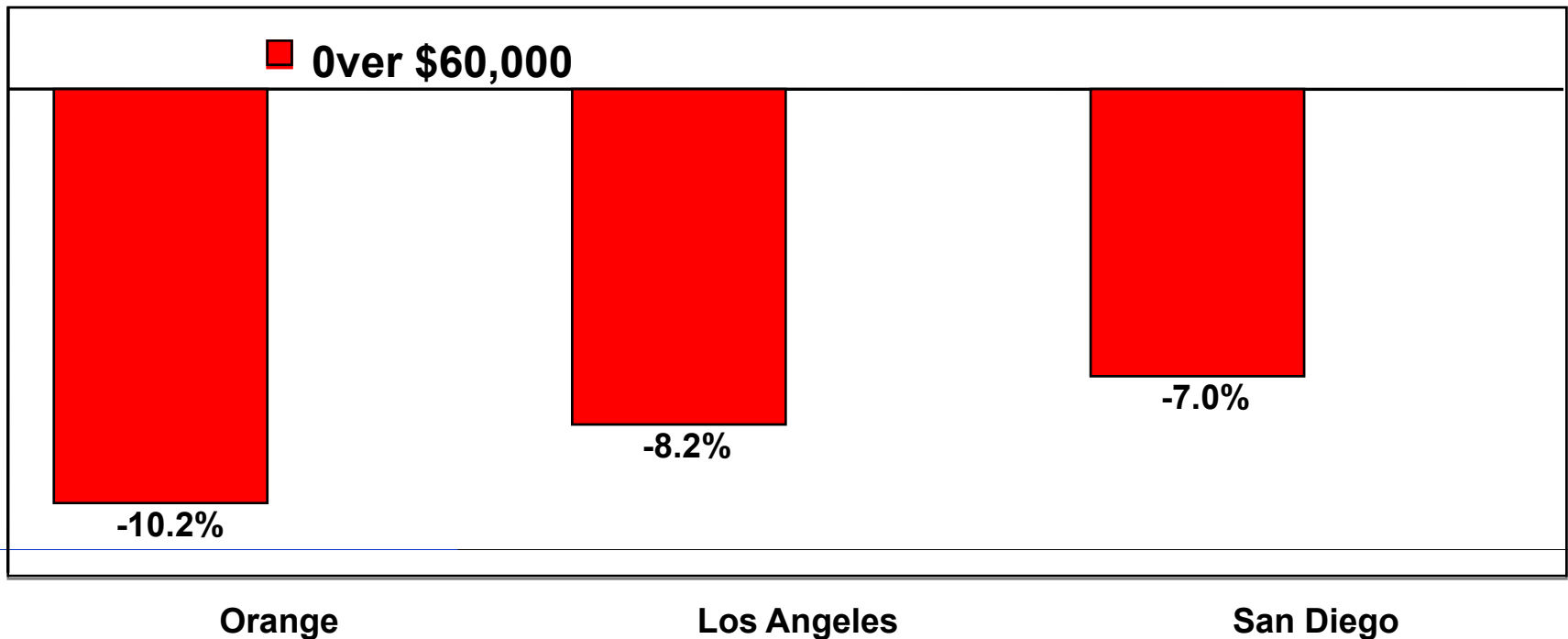
**BA Or Higher Education
Adults 25 & Up, Inland Empire, 2000-2005**



Source: 2000 Census & 2005 American Community Survey

High-End Workers Work For Less To Avoid Commuting

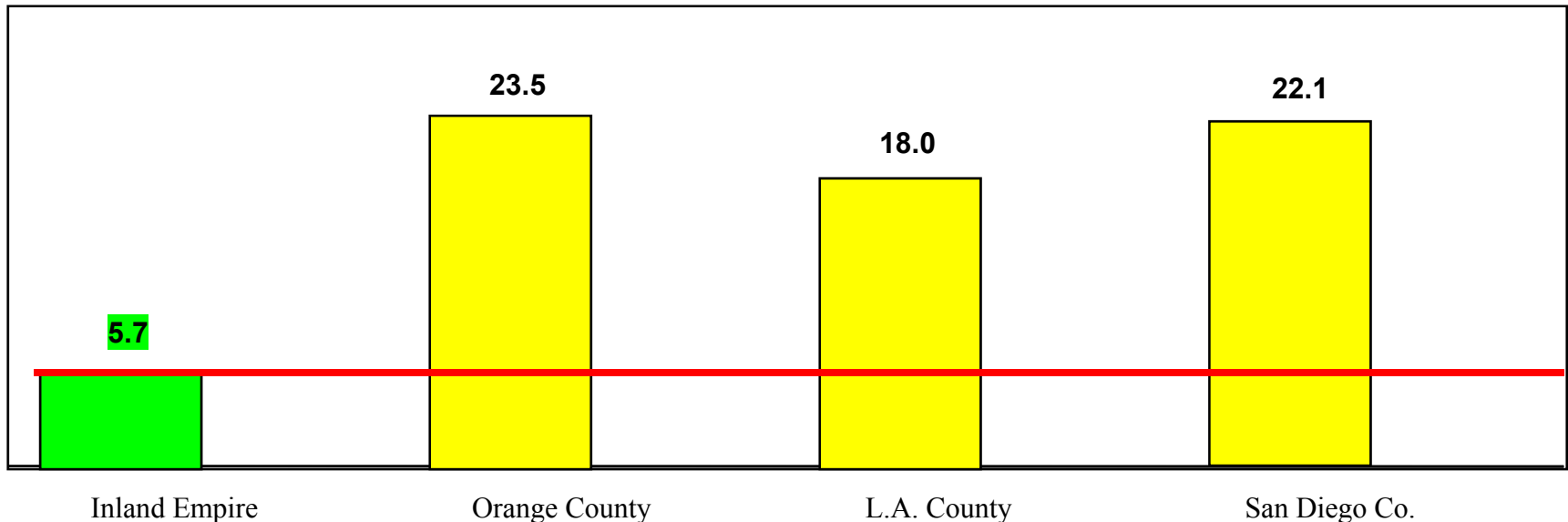
Inland Empire Labor Cost Savings IE vs. Coastal Counties, 2006



Source: Occupational Employment Survey, Employment Development Department; Weighting Economics & Politics Inc.

Inland Empire Offices: Under-Served

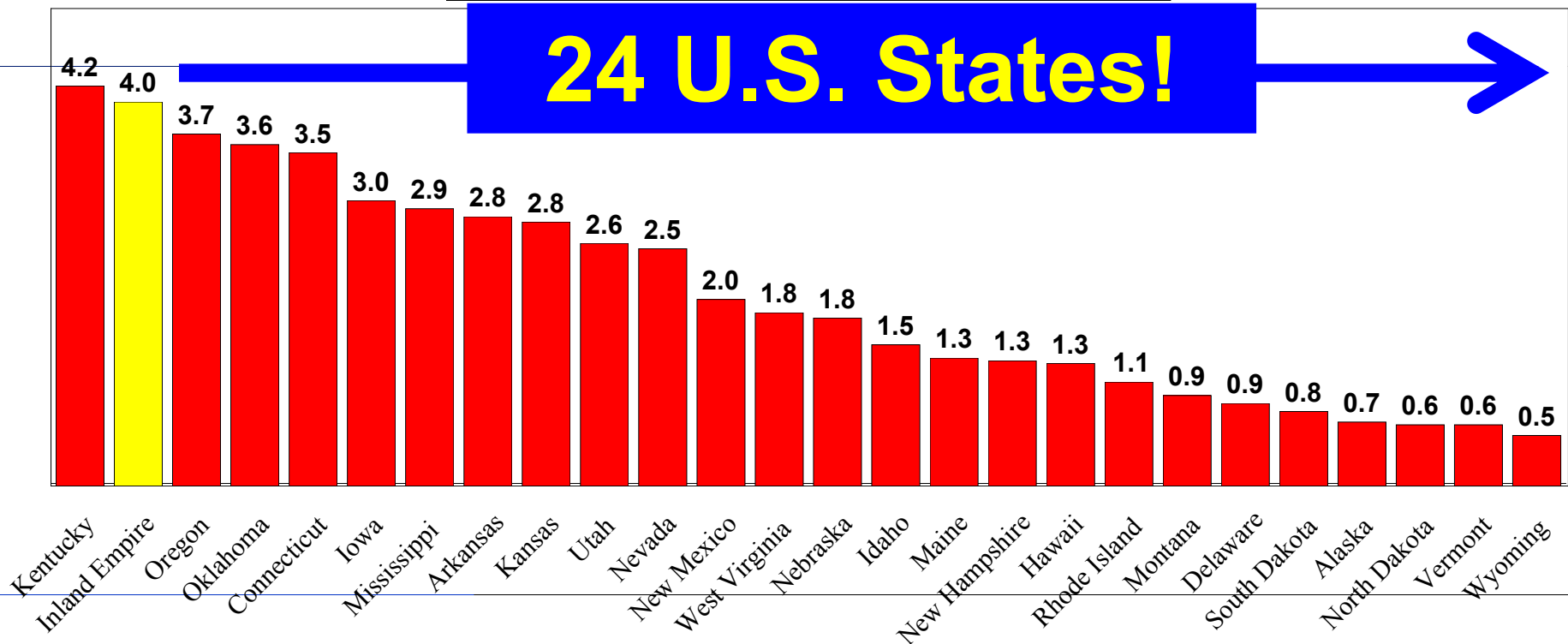
**Office Square Feet Per Person
Southern California Areas, 2005**



Sources: Grubb & Ellis, CA Employment Development Dept., CA Dept. of Finance

Huge Internal Population

Exhibit 6.-Total Population (millions)
Inland Empire As A State, January 2006

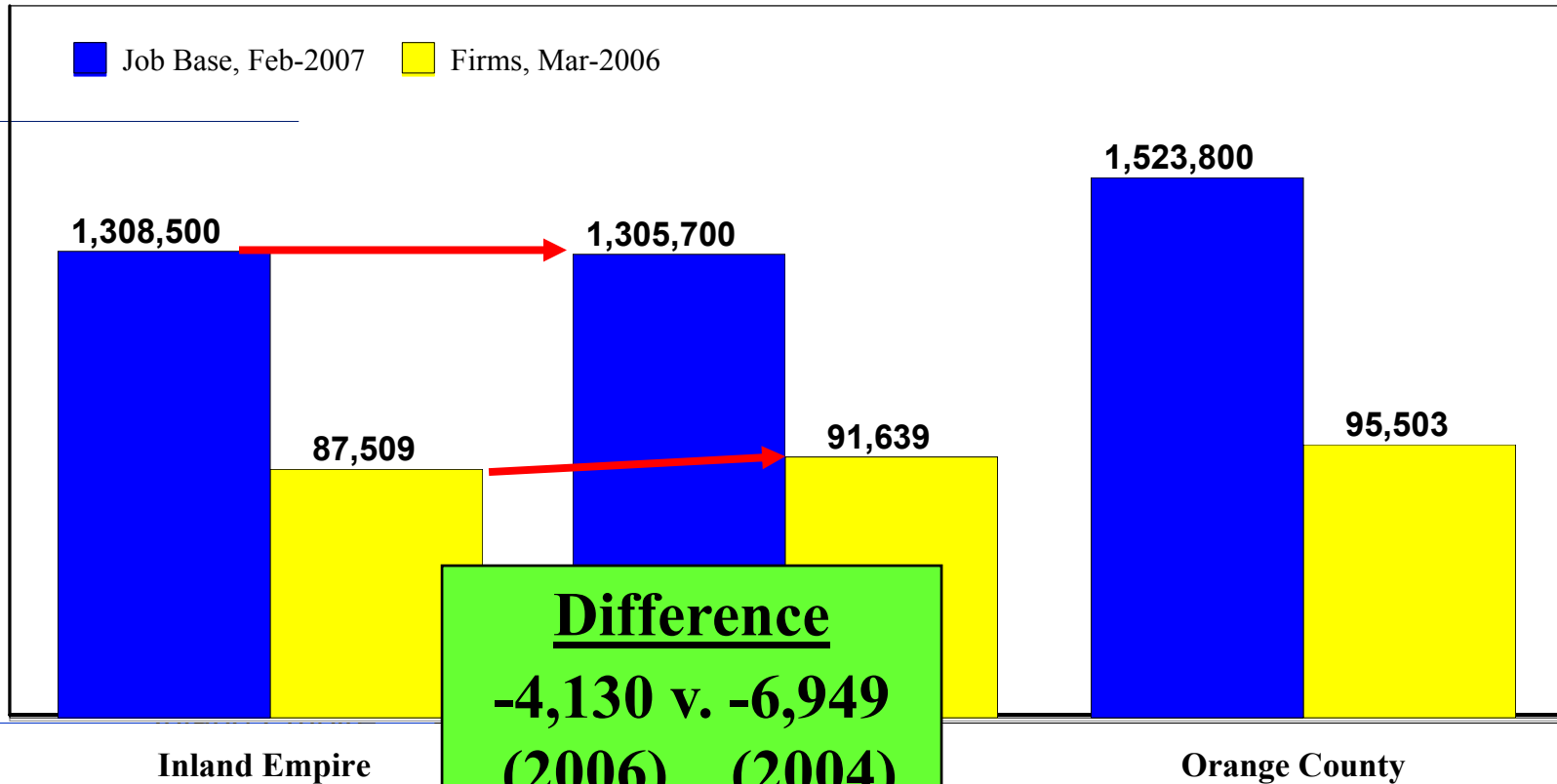


Note: Kentucky Ranked 26th
Source: U.S. Department of Commerce

2007 Jobs: Passed San Diego Co.

2006 Firms: Catching San Diego Co.

Job Base & Number of Firms
Inland Empire, San Diego Co. & Orange Co., 2006 or 2007



Department

Can't Serve Inland Customers From Coastal Locations



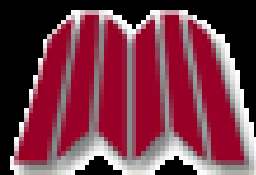
Some Corporate Offices Belong Inland



AMERIQUEST®
MORTGAGE COMPANY



Closing in OC
Expanding in IE

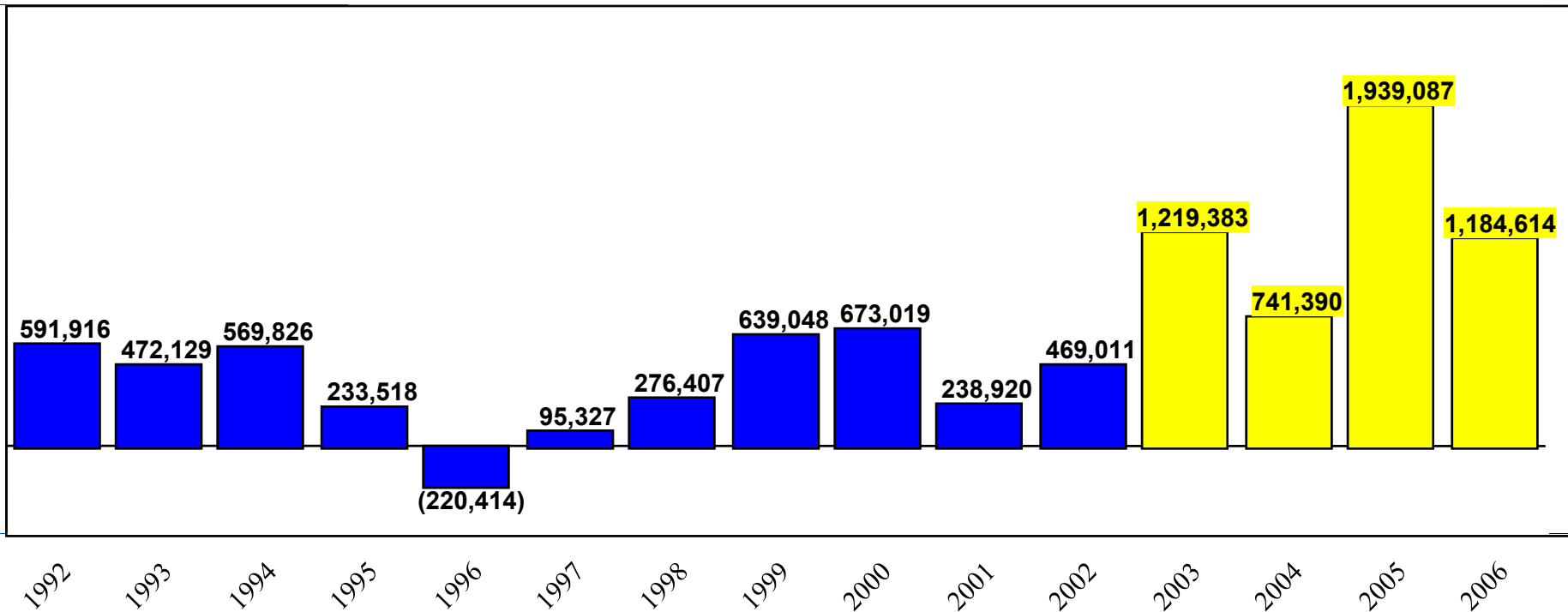


Mercury



Net Office Absorption Taking Off

Office Net Space Absorption
Inland Empire, 1992-2006

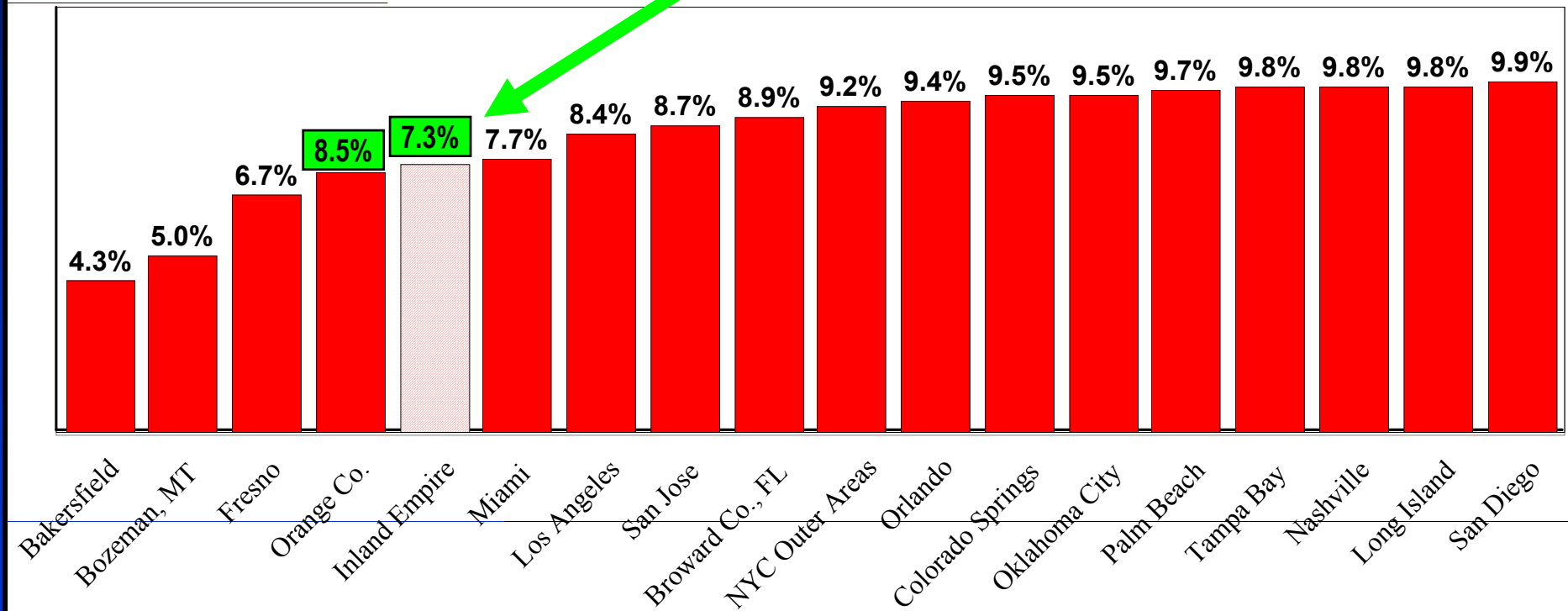


Source: Grubb & Ellis

4th

Lowest U.S. Office Vacancy Rate

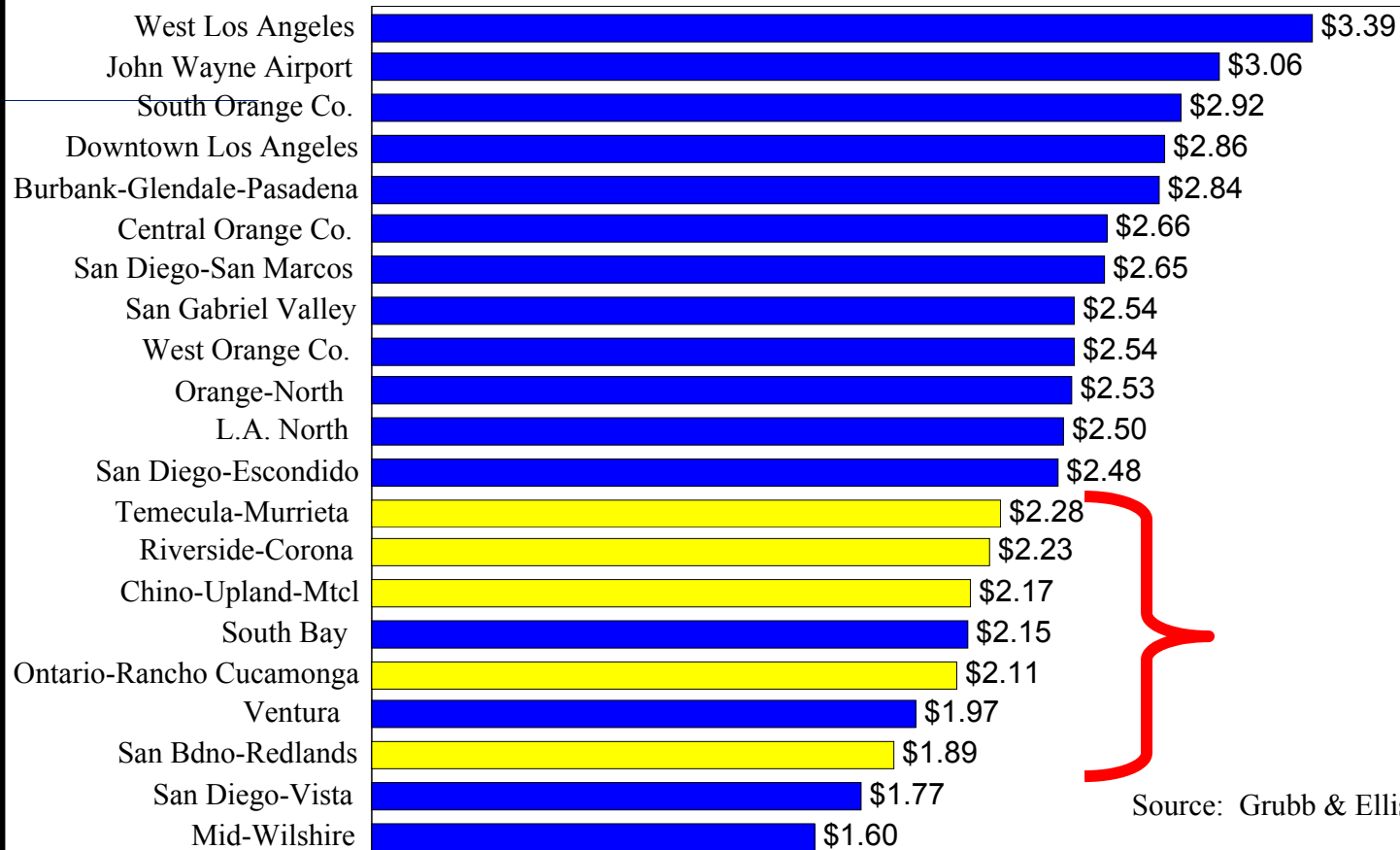
Office Market Vacancy Rates
Suburban U.S. Markets, Under 10%, December 2006



Source: Grubb & Ellis

Lease Rates Not Always A Bargain

Asking Office Space Lease Rates Southern California Markets, December 2006 (Per Sq. Ft./Mo.)



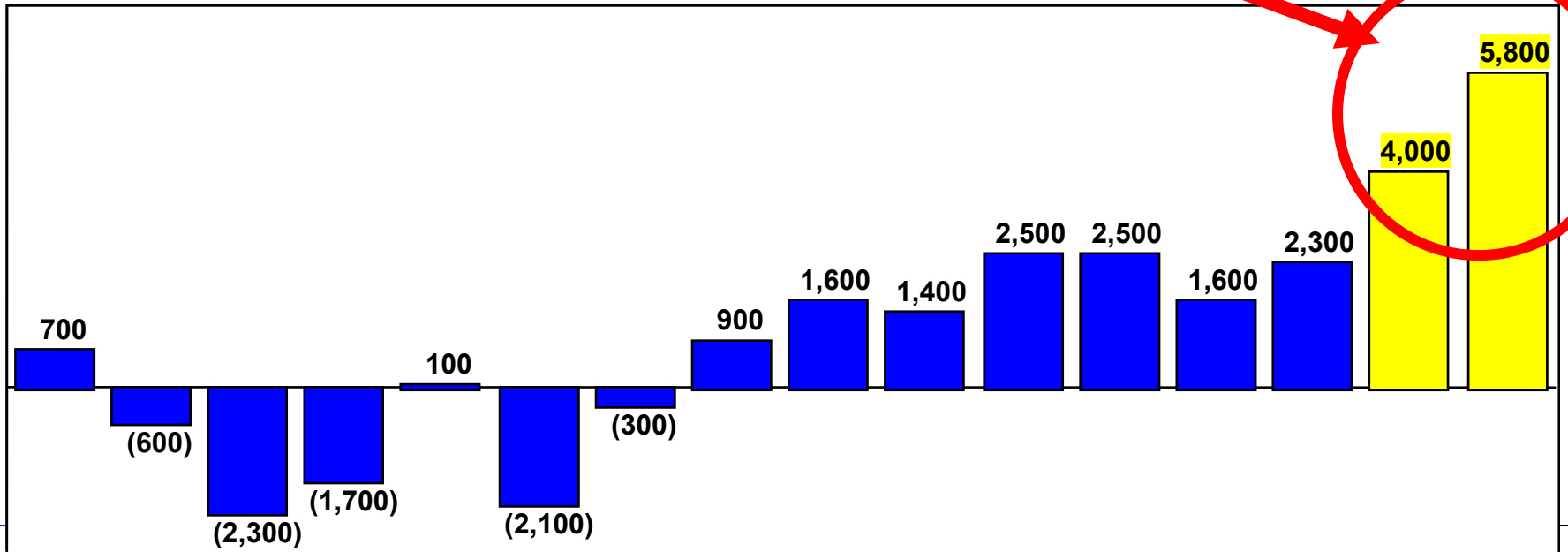
Source: Grubb & Ellis

Professional, Scientific & Engineering Jobs

3rd Fastest Growing Sector in 2006

Up 58.4% in 2 Years

Professional, Scientific & Engineering Sector Jobs
Inland Empire, 1990-2006



Professionals Need Paraprofessionals & Support Staff

www.johnhusing.com